KING SABATA DALINDYEBO LOCAL MUNCIPALITY

BUDGET 2009 – 2012

May 2009

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2. MAYORAL BUDGET SPEECH

Honourable Speaker
Honourable Chief Whip of Council
Fellow Councillors
Municipal Manager and Management
Union Representatives
Leadership from different political parties
Amakhosi
Members of the Community
Media Representatives present here,

INTRODUCTION

In my acceptance speech in front of you and the people of our Municipality I accepted the responsibility bestowed upon me knowing very well the problems and challenges facing the political and administrative leadership of KSD.

I committed myself in putting my talent, my skills, my energy and my experience, but above all my love and respect for all people at the disposal of the ruling party who did me the honour of trusting me to make a contribution in the noble task of making KSD work better for all our people.

In my acceptance speech I described my task as being as tough as climbing Mt Everest and in the same breath I declared that with God and our people united, creative and eager to accept challenges we will never fail. I stated categorically and for the record that failure is not an option.

It is in this historical context that I place my first STATE OF THE KSD AND BUDGET ADDRESS in front of you, all of us knowing that Rome and uMthata for that matter were not built in one day or a year. When processes of renewal, re-generation and re-birth are in place I as a person, a leader , a Christian and an African patriot

declare in front of you today that I strongly believe in the dictum that the best leader is the one that follows . I will lead guided by the wisdom of our people, this is a promise I will never backtrack from.

I expect each one of us here to unconditionally be 100% behind the Vision of the King Sabata Dalindyebo Municipality which is to be a prosperous, sustainable and people centred municipality.

For this to be achieved the IDP 2009/10 needs to be aligned with the existing budgets and be implemented as a fundamental tool of the progress towards the realisation of the Vision and includes a comprehensive Integrated and Sustainable Physical Development Plan (Master Plan) that fundamentally reviews SDF, LED, Infrastructure and Mobility Plans and Environmental Management for the Functional Urban Areas of Mthatha Mquanduli and a SDF for Coffee Bay.

Our planning and implementation is based on NFSD and founded upon Sustainable Human Settlements and solid Intergovernmental Relations. I declare today with my hand in heart and eyes towards God that I will strive not to deviate from the fundamental principles of BATHO PELE fused with the Master Plan of our Municipality:

- PEOPLE FIRST – inclusive stakeholder involvement empowerment and governance Accountability
- One Government – one plan (IGR)
- HARMONY BETWEEN PEOPLE, RIVER STREET, MARKETS & HOME (not trade offs)
- REDUCE, RE-USE, RECYCLE AND RENEWABLE RESOURCE USE
- DEVELOP EXTENSIVE LOCAL VALUE CHAINS (but not at expense of the people)
- VALUE FOR MONEY

All of us know deep inside us the major challenges facing us in terms of creating a better life for all our people.

Socio-economic outlook

- ***Our municipality's total population is 415 2341 comprising of 55% females and 45% males. It comprises of 105 000 households with an average of 4 – 7 people per household.**
- ****Its poverty level average is 80% and its Human Development Index is 0.49% as compared to the national average of 0.59%***
- ****The employed population is 24%.***
    - ***Of the employed population more than half are employed in the Community Services Sector (Education, Health, Social Welfare and Public Administration.***

- *More than 80% of the people are poor

- *84% are without piped water

- *81% of households are without a telephone.

- *91% of the households are without waste removal services and therefore dump their refuse anywhere they choose. This poses health hazards.

- *65% have no bus service.

- *25% are more than 30 minutes away from a taxi service.

- *67, 2% of houses are built with mainly traditional materials and brick structures account for only 18% of houses.

- *72% of the people living here are without electricity.

It can be gauged then that the challenges we all face are daunting and could be only tackled by a united front of groups of people who are as committed, dedicated and united as the political leadership of the municipality.

OVERVIEW OF PERFORMANCE

* *Spatial Development Plan*

The KSD's Master Plan has become a matter of excitement for all stakeholders and its strategic guidelines, pinpoint the spatial guidelines that have enabled the Municipality to identify the main nodes and areas where development initiatives and investment will be clustered. The Spatial Development Framework depicts these development areas and nodes while the Mthatha Sustainable Development Plan describes the node as the gateway city for O. R. District, playing an important role in the region as a service and administration centre. It also plays an important role in tertiary education in the region. Other nodes include Mqanduli, Coffee Bay, Hole-in-the Wall, Viedgesville, Baziya, Kwaaiman, Gengqe, Qokolweni, Langeni and Qunu.

The strong influence of the N2 on growth supplements development along the transport corridor between Qunu and Mthatha. This in turn will be strengthened by Integrated Energy Centre at Qunu which is in the planning phase. In our relentless commitment to the rural areas those initiatives include those along the coastal belt in the south (with the Tourism, agriculture and mariculture potential) and the mountain region/Mthatha River valley in the north, with forestry, timber beneficiation and possibly, recreational facilities and conference centre at Mthatha Dam & Wonkumntu and irrigation from Mthatha Dam offering future development opportunities. Furthermore, the Nduli and Luchaba Nature Reserves have received funding from the European Union for further development which therefore strengthens tourism development in KSD.

It is envisaged that the DFA and the Provincial Spatial Development principles will be utilized in future Land Use Management in order to focus on developmental projects around existing nodes and bulk infrastructure. In an effort to prevent urban

sprawl, every effort will be made to densify rather than create new settlements. Tourism resort development along the coast will similarly be focused rather than extended in a ribbon-like development along the coast. Areas of resource value, including indigenous forests, agricultural soils and natural tourist attractions will be preserved and carefully managed.

***Service Delivery Environment**

There have been signs of accelerated service delivery trends and patterns that can be identified as follows:

- The policy on the indigent population has been implemented in a variety of phases such as the compilation of an indigent register and the planning of a specialist unit to deal with such issues is in advanced stages.
- R11.1 million has been allocated for Free Basic Services
- R51 million has been allocated for water provision by ORTDM and there is direct engagement with DWAF's Director for Infrastructure in terms of implementation.
- The foundations have been laid for the KSD Integrated Housing Plan to be finalized and as a priority include a complete design for rural housing.
- Electricity connection for 900 households at Mqanduli underway.
- Construction of substation at Wilo, Mqanduli in the pipeline.
- There is a general agreement to develop an Integrated Roads & Transport Plan to include rural areas.
- Partnerships with SANRAL – development of N2
- Sanlam – investment in Jubilee Square dev.
- Ngangelizwe road construction has begun
- There is development in the access roads construction
- Cleaning project funded by DEAT is underway.

These are some of the achievements in terms of service delivery which are strengthened by our efforts in regard to economic development.

*__Local Economic Development__

- The active and ongoing inter-governmental dialogue between King Sabata Dalindyebo Municipality (KSD) and National, Provincial and District Government together with Parastatals has been instrumental in providing a range of key development projects that showcase the concept of an integrated aligned public service. Thus:

- *The status of Mthatha as a regional centre is supported and entrenched by contributions from SANRAL , ACSA and ASGISA that improves the connectivity and access to Mthatha by the N2 upgrade, the airport upgrade and the link road from Ugie with the R61 (Queenstown Road).

- The Neighbourhood Partnership Development Grant (National Treasury) aligned with the Provincial Urban Renewal Programme in Ngangelizwe and Mthatha provides further integration at community level - specifically with the upgrade of the old Transido Light Industrial park and the upgrade of the Rotary Sport Stadium and the 2010 Stadium

- *The furniture incubator facility of R18 million at Vulendlela has been a successful partnership between KSD, OR Tambo District Municipality and the DTI. A SMME based brick making project at Maydene Farm, Ward 9 is another example of productive inter- governmental relations between KSD, Dti, and Provincial Department of Social Development with an investment value of R800, 000.

- *KSD also had a successful partnership with DEDEA resulting in a welding and sewing mentorship and production project for women and youth. There are signed Memoranda of understanding between KSD and the Development Bank of Southern Africa, SANRAL and Dti.

- *The new Master Plan for the Functional Urban Areas of KSD depends heavily on Intergovernmental relations that will lead to integrated implementation of all elements of the plan in creating Sustainable Human Settlements. The plan contains 240 projects over the next 20 years. It is not a panacea, but a painstaking process.

- *The new KSDM LED strategy is now an integral part of the Integrated Sustainable Development Plan. The KSD LED strategy was approved and adopted by Council in May 2008. The LED strategy will be reviewed in the 2009-2010 financial year.

- *Some of the anchor projects that are already in implementation include the 2010 stadium, Langeni forest development, the furniture incubator project and the SMME brick making project. The priorities also attend to tourism opportunities like the Nduli nature reserve, Mthatha Dam Development and the Nelson Mandela Cultural precinct. The municipality had good exposure at the OR Tambo District Municipality's Investment Conference in February 2009. In addition to the SMME development strategies and projects KSD embarked on various labour intensive projects to address poverty albeit limited to the short term. The co-operation between KSD, DEDEA and the District Municipality resulted in a community clean-up campaign for a 12 month period where unemployed persons could find some relief.

- * The municipality has a strong urban centre surrounded by 80% rural based communities. The LED strategy aims to enhance the rural linkages to the urban core with projects like the Coffee Bay/ Hole in the Wall Eco Tourism node development East of Mthatha, the Langeni forest project west of the city and the Mvezo agro-tourism node to the South. The Viedgesville –sustainable villages, half way between Mthatha and Mvezo is another example of linking the urban with the rural in a functional, sustainable way.

- *Some projects, like the Mpeko tele-centre has been established to stimulate training and commercial activities in the area between the airport and the city.

- The approved Master Plan of 31 March 2009 incorporated the LED strategy and the first round of estimation indicate an investment need of R4 billion over the next 20 years. The amount is for the total Mthatha, / Mqanduli functional urban area and the LED elements will be further costed for the 2009/10 financial year during its review.

Institutional Development and Transformation

The latest instances in relation to institutional development and transformation can be summarized as follows:

- The organizational structure is currently being reviewed to align it with the latest IDP.
- Workplace Skills Plan is in place.
- The municipality's draft recruitment and retention policy is awaiting Council approval.
- Quarterly and annual training reports have been submitted to LGSETA.
- The municipality's draft succession planning policy is awaiting Council approval
- The reviewed organizational structure strengthens organizational aspects by creating a new unit in the Municipal Manager's office.
- The existing PMS is currently applied to Section 57 Managers and all fixed-term contract employees

***Good Governance**

Public participation is active, but there are poor citizens' attendance.

There is a lack of strategy in relation to public participation.

Generally, in some wards there are positive feedbacks on the communication strategies.

Traditional leaders and organizations such as NAFCOC have become very active partners in the process.

There have been good signals in terms of the participation of Ward Committees.

There have been Road Shows, Local News papers coverage, Posters, Open Council meetings, Imbizos, and Mayoral Committee Meetings.

There is a Local Aids Council,

KSDM actively participates on the District Aids Council.

KSDM's Policy on AIDS was submitted to Council

There is a Wellness desk

Ward Aids based forums are in place

An action plan has been prepared to address all the qualification paragraphs in the 2008 Audit report. Provincial treasury allocated CFO support to improve audit outcomes with qualification paragraphs reducing from 39 to 14 and a 60% reduction of limitation of scope paragraphs.

*** Financial Viability**

The following financial indicators point to our future expenditure in addition to the others that I have mentioned already:

- *The municipality revenue from levies and rates on all residential properties, business premises, and vacant plots is estimated to be R99, 8 million for the current financial year

- *Service charges are on electricity, refuse removal, rental facilities, licences and permits and traffic fines will recover R193 million

- *The total own revenue is budgeted at R297 million

- *****There are clear allocations from National and Provincial resources
  - National – DORA: R158,349 million
  - Province – Gazette: R168,331 million

- In kind funding
    - CFO support (Funding by provincial government)
    - DBSA Young Professionals Programme – Siyenza manje

***Overview of IDP/ Budget for 2009/10**

The budget for KSD after going through all of the consultation processes was tabled at the Council meeting of the 28th May 2009 and is consistent with the IDP tabled at the same meeting the elements of which I have outlined in my address above.

Expenditure proposal for 2009/2010

The operating expenditure by Vote for the 2009/2010 year is set out hereunder

Operating Expenditure by Vote	**R'000**
Executive and Council	26 621
Finance and Asset Management	102 272
Corporate Services	25 572
Planning, Social and Economic Development	15 292
Infrastructure	143 638
Community Services	70 868
Public Safety	52 785
Total	437 048

Lead Projects

During the next two remaining terms of the Municipal Council the following Lead Projects have been identified as an integral Part of the Master Plan that have a budget of R4 billion :

- The push forward of the Ngangelizwe Programme which is directly related towards sustainable Rural development.
- The Cultural Precinct and Adjacent CBD Project.

- Human Settlement at Phola Park.
- Renewable Energy and Solid Waste.
- Cemetery Development.
- Stadium Development.
- Mthatha River/Sewer Treatment Works.

CONCLUSION

I humbly presented to all of you present the vision and mission of our Municipality and a wide variety of reasons and dynamics that point to our success.

However, such success rests primarily with the diligence, high performance, discipline, commitment dedication and sense of belonging of all stakeholders and role players. As much as I am dedicated and committed to my role and contribution 100% percent I expect the management and staff of the municipality to be equal, if not above 100%.

This means that performance, duties and responsibilities, transparency, hard work, discipline and commitment to our work and the welfare of all our citizens must be our key characteristic.

In the spirit of our newly installed President His Excellency Cr. J.G. Zuma I will reward outstanding managers and staff, but I will not tolerate laziness, corruption, slackness, greed and dereliction of duties and responsibilities. I will hold each and every one of you accountable and answerable for your actions. I want each one of you to commit your whole being to the service of our people.

We have a vision and a mission, a Master Plan and as one official of the DBSA stated the best IDP in the country.

We are ready and equipped to move forward. Those who will stay behind are an obstacle to growth and development.

We will not betray our people. We will lead by example, because we are dedicated to the welfare of our people. We are open to fair criticism and suggestions for the benefit of all, because our integrity will be confirmed to everyone when we abide by our plans and implementation.

We are committed and dedicated to adhere, plan and implement all the beautiful plans, laws and regulations that will ultimately cement the realization of a better life for all.

We love and respect all people and we pray for strength and wisdom to be with us always.

We have passion for service and success, but we are aware we cannot do it alone.

We will not fail our people.

This is a mission, a vision and a promise.

Last but not least I pray that I will gather enough wisdom to lead the organization with commitment, passion and genuine love.

I thank you all.

Councillor S Mlamli
Executive Mayor

3. BUDGET RELATED RESOLUTIONS

Annual Budget for 2009/10

1. Council resolves that the annual budget of the KSD Local Municipality for the financial year 2009/10; and indicative for the two projected outer years 2010/11 and 2011/12 be approved as set-out in the following schedules

    1.1. Operating revenue by source reflected in Schedule 1.

    1.2. Operating expenditure by vote reflected in Schedule 2

    1.3. Operating expenditure by GFS classification reflected in schedule 2(a)

    1.4. Capital expenditure by vote reflected in schedule 3

    1.5. Capital expenditure by GFS classification reflected in Schedule 3(a)

    1.6. Capital funding by source reflected in Schedule 4

Multi-year Capital Budget

2. Council resolves that multi-year capital appropriations by vote and associated funding reflected in Schedules 3 and 4 be approved.

Property Rates and other Municipal Tax

3. Council resolves that property rates reflected in Annexure A and any other municipal tax reflected in Annexure A are imposed for the budget year 2009/10.

Tariffs and Charges

4. Council resolves that tariffs and charges reflected in Annexure A are approved for the budget year 2009/10.

Measurable Performance Objectives

5. Council resolves that the measurable performance objectives for revenue from each source and for each vote will be completed on the finalisation of the Service Delivery and Budget Implementation Plans for the 2009/10 budget.

Integrated Development Plan

6. Council resolves to approve the amended Integrated Development Plan reflected on Annexure

Budget Related Polices

7. Council resolves that the following amended polices are approved for the budget year 2009/10:
    - Tariffs Policy - Appendix A
    - Property Rates Policy – Appendix B
    - Indigents Policy – Appendix C
    - Credit Control and Debt Collection Policy – Appendix D

Indigents

8. Council resolves that for the 2008/2009 financial year the indigents are subsidized and that the subsidy will consist of the following:
    - ❖ Assessment Rates (Including Fire Levy): A subsidy, not more than the applicable tariff for the 2009/10 financial year, will be applied for the duration of the 2009/10 financial year.
    - ❖ Electricity: A subsidy of fifty (50) units of electricity per property per month to all individual households will apply. Where the consumption exceeds fifty (50) units per month the consumer will be charged for actual consumption exceeding fifty (50) units at the approved tariff.
    - ❖ Refuse Removal: A subsidy, not more than the applicable tariff for the 2009/10 financial year, will be applied for the duration of the 2009/10 financial year.
    - ❖ Site Rental: All registered indigents shall be fully subsidised for the payment of site rental for the 2009/10 financial year, and will be applied for the duration of the 2009/10 financial year.

Service Delivery and Budget Implementation Plan

9. Council notes that the Service Delivery and Budget Implementation Plan will be submitted to the Executive Mayor at the end of June 2009.

4. THE BUDGET

This section contains an Executive Summary of the King Sabata Dalindyebo Local Municipality's budget followed by a more detailed explanation of its operating and capital components over the next three years.

4.1 Executive Summary

Strategic Focus Areas and Municipal Priority Issues

The following strategic areas still remain for the 2009/10 financial year

- Service Delivery (Roads, Refuse, Electricity)
- Institutional Building
- Housing (Human Settlements)
- Local Economic Development
- Public Amenities and Sports Facilities
- Public safety and Security
- Cleansing and the Environment

Medium Term to Long-term

At the strategic workshop held in November 2008, the Mthatha and Mqanduli sustainable spatial development plan was presented for the first time to officials and councillors.

This plan outlines the framework for development in a 20 year period for the Mthatha and Mqanduli urban areas

This plan has been approved by council in March 2009 for its implementation in the medium term period

There will be sectoral departments consultations on the master plan in the form of a road show, where funding will be sourced for the various projects

Medium Term

For the 2009/10 budget year, the following Key performance indicators were agreed at the strategic workshop held in November 2008

Administration

- Implement the Property Rates Act 2004 - new valuation role to be implemented by 1 July 2009
- Increase the revenue base and improve the debt collection rate to 95%
- Recover all collectable debt arrears and write off the uncollectible balance

- Review and update the organogram to one that is appropriate
- Apply uncommitted funds to reducing the backlog of commitments
- Institute robust controls over the cash flow and expenditure functions
- Implement the indigent policy
- Increase the provision for doubtful debts

Infrastructure

- Project management unit - Develop the capital infrastructure within KSD
- Engineering services - Maintain roads within KSD to promote LED and improve standard of living
- Development planning Services - Promote the development of sustainable human settlements using order and standard development. Ensure compliance with building standards
- Electrical services – maintain and achieve a consistent and safe supply of electricity to KSD

Community

- Complete the RDP housing
- Construction of the Mthatha stadium
- Community Participation

Revenue

Implementation of the Property valuation roll

In terms of the Municipal Property Rates Act 2004, Municipalities are required to conduct a general valuation from which a valuation roll will be produced to levy property rates in terms of the MPRA

The KSD Valuation roll was completed in January 2009

The total market value of KSD properties in the valuation roll is R8.4 billion

Summary of Valuation Roll

Area	No of Properties	Market Value
Mthatha	15 602	8 081 071 000
Mqanduli	814	103 423 500
Rural Surveyed Properties	18 726	255 991 500
Total	**35 142**	**8 440 486 000**

The previous valuation roll, which was completed in 1999 with supplementary valuations, had a value of R2, 6 billion for the 2008 financial year

The R6 billion increase is mainly from two factors:

- The number of properties that were not included in the valuation roll - 1999
- The increase in the market values of properties since 1999

Although rural surveyed properties constitute 53% of the total valued properties they only contribute 3% to the total market value of the valuation roll

Our Rates policy provides for exemptions and rebates to some of the rateable properties. For example:

- Houses with a value less that R40 000,
- Rural properties and
- Properties owned by indigents.

The value of these properties is estimated at R400 million.

This valuation roll has a significant impact in terms of what we can bill for property rates. The collectibility of the amounts may however pose a challenge.

Operating budget

The operating budget is a balanced and conservative one and totals R437 million, which funds the continued provision of services provided by the municipality.

Overall funding is obtained from various sources and the greater proportions are received from services such as electricity 24%, refuse removal and disposal 3%, from property rates 16% and from grants and subsidies (including capital) received from the National and Provincial Governments 53%.

The major expenditure items as a percentage of operating revenue are staff costs 46%, bulk electricity purchases 19% and general expenses 17%.

A provision of R25.6 million has been set aside to cover possible bad debts from rates and charges not collected.

The capital budget is balanced and totals R195,5 million funded through revenue from National Government grants 26%, Provincial Government grants 73%, and Internally funded 1%

4.2 BUDGET SCHEDULES

SCHEDULE 1 Revenue by Source	Preceding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Audited Actual R.000	Approved Budget R'000	Adjusted Budget R'000	Full Year Forecast R.000	Budget R'000	Budget R'000	Budget R'000
Property Rates	71 338	80 804	80 804	79 804	99 807	107 792	116 415
Electricity Receipts	84 784	94 355	112 849	112 849	151 222	165 359	181 648
Refuse Removal	13 648	16 142	16 142	15 442	18 077	19 523	21 475
Service Charges -Other	0	3 194	3 194	2 946	4 529	4 891	5 380
Rental - Facilities	9 691	10 120	10 120	10 120	11 147	12 023	13 225
Licenses and Permits	7 101	4 593	4 593	5 793	6 104	6 536	7 190
Interest Investments	3 645	110	110	3 110	2 186	2 361	2 597
Interest Debtors	0	200	200	700	720	778	855
Fines	1 625	1 535	1 535	1 535	1 650	1 782	1 960
Grants & Subsidies	143 577	336 453	336 453	348 721	312 209	195 770	213 933
Service Level Agmts	0	25 000	25 000	15 000	23 382	25 253	27 778
Disposal Of Assets	0	500	500	500	500	540	594
Other Income	3 864	2 352	2 352	2 498	1 037	1 120	1 232
Total Revenue	**339 273**	**575 358**	**593 852**	**599 018**	**632 570**	**543 728**	**594 282**

SCHEDULE 2 Operating Expenditure	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Audited Actual R,000	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Budget R,000	Budget R,000
Executive & Council	21 895	29 034	29 034	27 732	26 621	30 016	32 792
Finance and Asset Mgmt	36 187	55 172	67 637	71 928	102 272	115 524	126 128
Corporate Services	21 074	20 222	20 222	24 400	25 572	27 418	29 955
PSED	10 587	15 488	15 488	15 921	15 292	14 458	15 698
Infrastructure	118 926	102 655	108 684	115 060	143 638	158 822	173 427
Community Services	46 177	59 508	59 508	61 809	70 868	77 256	84 403
Public Safety	43 449	45 296	45 296	52 215	52 785	57 598	62 869
Totals	**298 295**	**327 375**	**345 869**	**369 065**	**437 048**	**481 092**	**525 272**

SCHEDULE 2(a) Operating Expenditure by GFS Classification	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Audited Actual R,000	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Budget R,000	Budget R,000
Executive and Council	21 857	27 706	27 706	26 404	27 091	30 016	32 792
Finance and Admin	116 314	75 166	87 631	96 100	130 151	142 943	156 083
PSED	12 994	15 933	15 933	16 366	15 292	14 458	15 698
Housing	834	875	875	940	1 084	1 243	1 281
Road transport	21 151	22 156	22 156	22 258	31 186	40 015	45 561
Electricity	64 163	74 238	80 267	85 029	108 592	117 564	126 585
Sport & Recreation	961	1 157	1 157	1 157	409	450	483
Health	16 089	17 150	17 150	16 170	19 693	21 637	23 297
Community & Social Services	9 129	9 986	9 986	13 267	17 720	18 511	21 152
Waste Management	29 417	31 314	31 314	31 314	31 269	36 658	39 471
Public Safety	37 934	40 558	40 558	47 477	54 561	57 598	62 869
Other		11 136	11 136	12 583	-	-	-
Totals	**330 843**	**327 375**	**345 869**	**369 065**	**437 048**	**481 093**	**525 272**

SCHEDULE 3 Capital Expenditure by Vote	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Actual 2008/09	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Projection R,000	Projection R,000
Community Services	9 922	15 836	15 836	15 836	624	870	870
Corporate Services.	290	-	-	-	344	320	320
Executive & Council	10	13	13	13	57	30	30
Finance & Admin.	298	528	528	588	391	310	310
Infrastructure	57 300	117 781	117 781	131 696	50 707	51 884	51 060
Planning, Social & Economic Dev	60 295	113 775	113 775	113 775	143 061	9 140	16 340
Public Safety	1 780	50	50	50	338	80	80
Total of Capital	**129 895**	**247 983**	**247 983**	**261 958**	**195 522**	**62 634**	**69 010**

SCHEDULE 3(a) Capital Expenditure by GFS	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Actual 2008/09	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Budget R,000	Budget R,000
Executive & Council	-	13	13	13	57	30	30
Finance and Admin	1 230	528	528	588	735	630	630
PSED	-	13 775	13 775	13 775	23 061	9 140	16 340
Housing	33 680	63 183	63 183	69 439	60	-	-
Road transport	43 323	47 798	47 798	55 457	34 647	40 589	34 860
Electricity	19 700	6 800	6 800	6 800	16 000	11 295	16 200
Sport & Recreation	2 500	102 500	102 500	102 500	120 000	-	-
Health	10 054	12 180	12 180	12 180	-	-	-
Community & Social Services	19 498	1 156	1 156	1 156	624	870	870
Waste Management	-	-	-	-	-	-	-
Public Safety	-	50	50	50	338	80	80
Totals	**129 985**	**247 983**	**247 983**	**261 958**	**195 522**	**62 634**	**69 010**

SCHEDULE 4 Capital Funding By Source	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Actual 2008/09	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Budget R,000	Budget R,000
National Government							
Approved Grants	19 448	77 638	77 638	77 638	50 390	51 724	50 709
Carried Forward Grants							
Total National Grants	**19 448**	**77 638**	**77 638**	**77 638**	**50 390**	**51 724**	**50 709**
Provincial Government							
Approved Grants	5 870	165 184	165 184	178 899	142 984	9 000	16 200
Total Provincial Grants	**5 870**	**165 184**	**165 184**	**178 899**	**142 984**	**9 000**	**16 200**
Total Government Grants	**25 318**	**242 822**	**242 822**	**256 537**	**193 374**	**60 724**	**66 909**
Public Contributions	0	3 900	3 900	3 900			
Accumulated Surplus(Own Funds)	656	1 261	1 261	1 521	2 148	1 910	2 101
Total Funding of Capital Expenditure	**25 974**	**247 983**	**247 983**	**261 958**	**195 522**	**62 634**	**69 010**

4.2 BUDGET RELATED CHARTS AND EXPLANATORY NOTES

TABLE 1

SCHEDULE 1 Revenue by Source	Preceding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Audited Actual R,000	Approved Budget R'000	Adjusted Budget R'000	Full Year Forecast R,000	Budget R'000	Budget R'000	Budget R'000
Property Rates	71 338	80 804	80 804	79 804	99 807	107 792	116 415
Electricity Receipts	84 784	94 355	112 849	112 849	151 222	165 359	181 648
Refuse Removal	13 648	16 142	16 142	15 442	18 077	19 523	21 475
Service Charges -Other	0	3 194	3 194	2 946	4 529	4 891	5 380
Rental - Facilities	9 691	10 120	10 120	10 120	11 147	12 023	13 225
Licenses and Permits	7 101	4 593	4 593	5 793	6 104	6 536	7 190
Interest Investments	3 645	110	110	3 110	2 186	2 361	2 597
Interest Debtors	0	200	200	700	720	778	855
Fines	1 625	1 535	1 535	1 535	1 650	1 782	1 960
Grants & Subsidies	143 577	336 453	336 453	348 721	312 209	195 770	213 933
Service Level Agmts	0	25 000	25 000	15 000	23 382	25 253	27 778
Disposal Of Assets	0	500	500	500	500	540	594
Other Income	3 864	2 352	2 352	2 498	1 037	1 120	1 232
Total Revenue	**339 273**	**575 358**	**593 852**	**599 018**	**632 570**	**543 728**	**594 282**

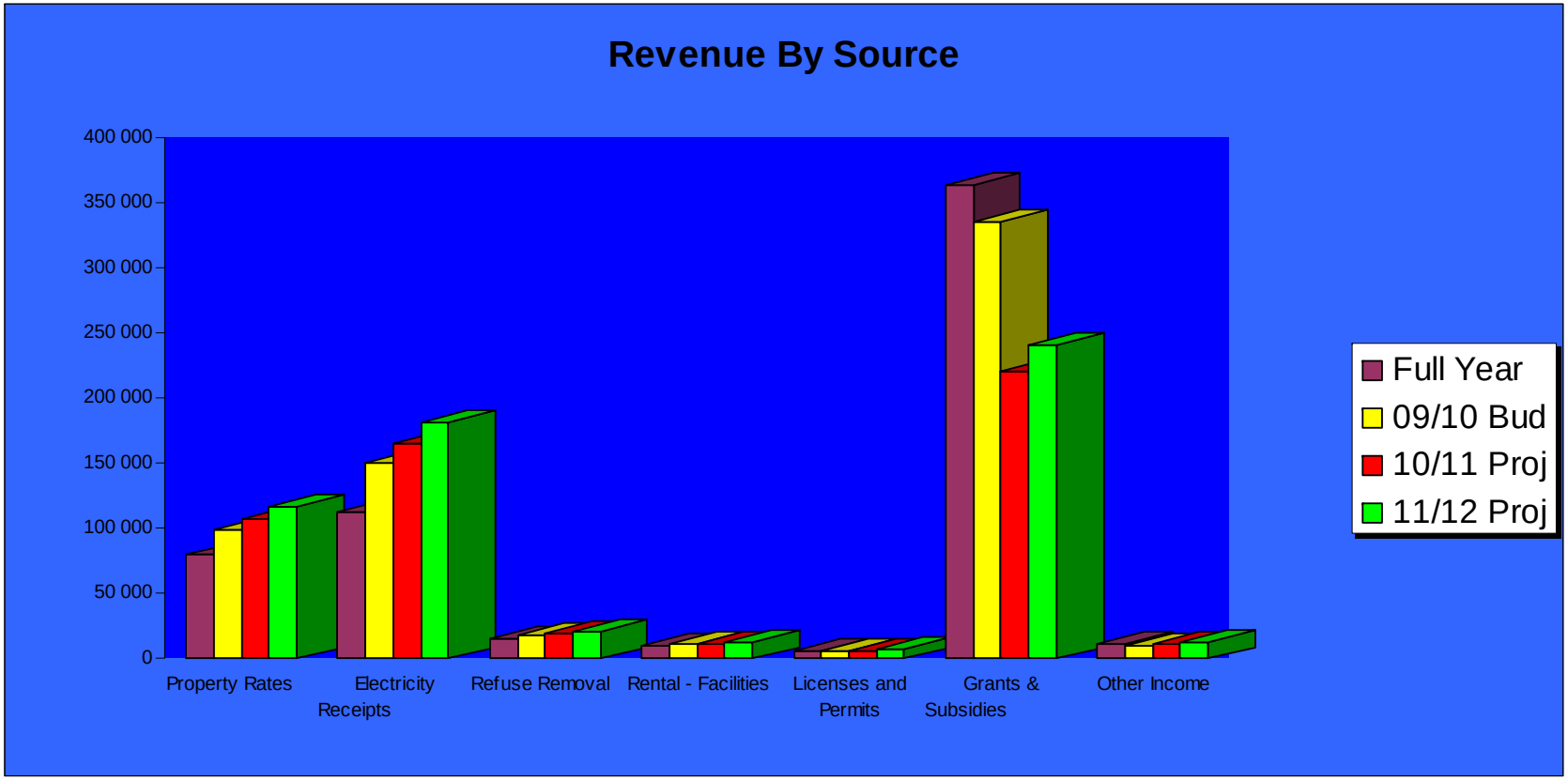

Revenue By Source
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
0
Property Rates
Electricity Receipts
Refuse Removal
Rental - Facilities
Licenses and Permits
Grants & Subsidies
Other Income
Full Year
09/10 Bud
10/11 Proj
11/12 Proj

TABLE 2
OEPRATING EXPENDITURE BY VOTE

SCHEDULE 2	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Operating Expenditure	Audited Actual R,000	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Budget R,000	Budget R,000
Executive & Council	21 895	29 034	29 034	27 732	26 621	30 016	32 792
Finance and Asset Mgmt	36 187	55 172	67 637	71 928	102 272	115 524	126 128
Corporate Services	21 074	20 222	20 222	24 400	25 572	27 418	29 955
PSED	10 587	15 488	15 488	15 921	15 292	14 458	15 698
Infrastructure	118 926	102 655	108 684	115 060	143 638	158 822	173 427
Community Services	46 177	59 508	59 508	61 809	70 868	77 256	84 403
Public Safety	43 449	45 296	45 296	52 215	52 785	57 598	62 869
Totals	**298 295**	**327 375**	**345 869**	**369 065**	**437 048**	**481 092**	**525 272**

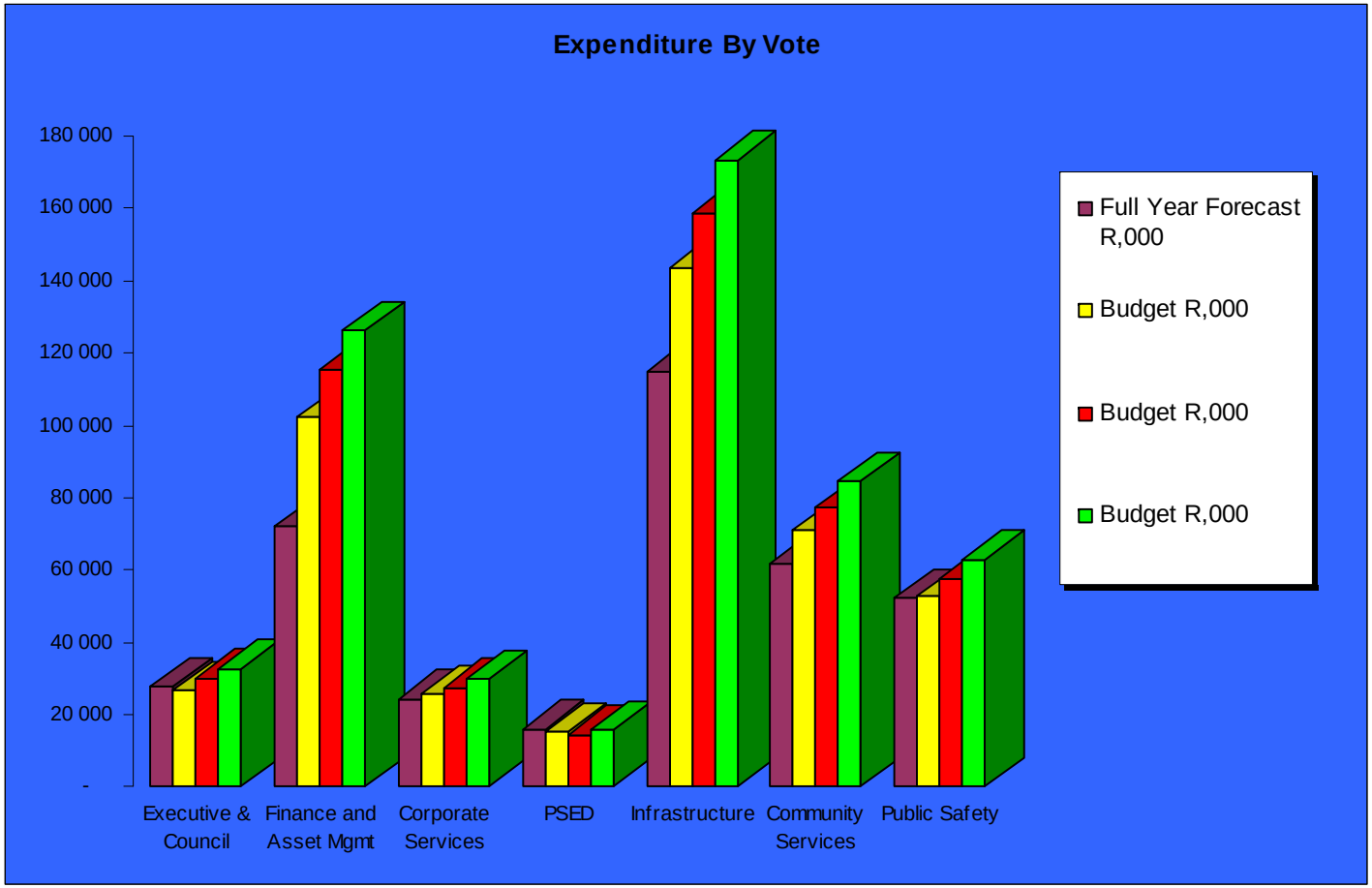

Expenditure By Vote
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
-
Executive & Council
Finance and Asset Mgmt
Corporate Services
PSED
Infrastructure
Community Services
Public Safety
Full Year Forecast R,000
Budget R,000
Budget R,000
Budget R,000

TABLE 3
CAPITAL EXPENDITURE BY VOTE

SCHEDULE 3 Capital Expenditure by Vote	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Actual 2008/09	Approved Budget R,000	Adjusted Budget R,000	Full Year Forecast R,000	Budget R,000	Projection R,000	Projection R,000
Community Services	9 922	15 836	15 836	15 836	624	870	870
Corporate Services.	290	-	-	-	344	320	320
Executive & Council	10	13	13	13	57	30	30
Finance & Admin.	298	528	528	588	391	310	310
Infrastructure	57 300	117 781	117 781	131 696	50 707	51 884	51 060
Planning, Social & Economic Dev	60 295	113 775	113 775	113 775	143 061	9 140	16 340
Public Safety	1 780	50	50	50	338	80	80
Total of Capital	**129 895**	**247 983**	**247 983**	**261 958**	**195 522**	**62 634**	**69 010**

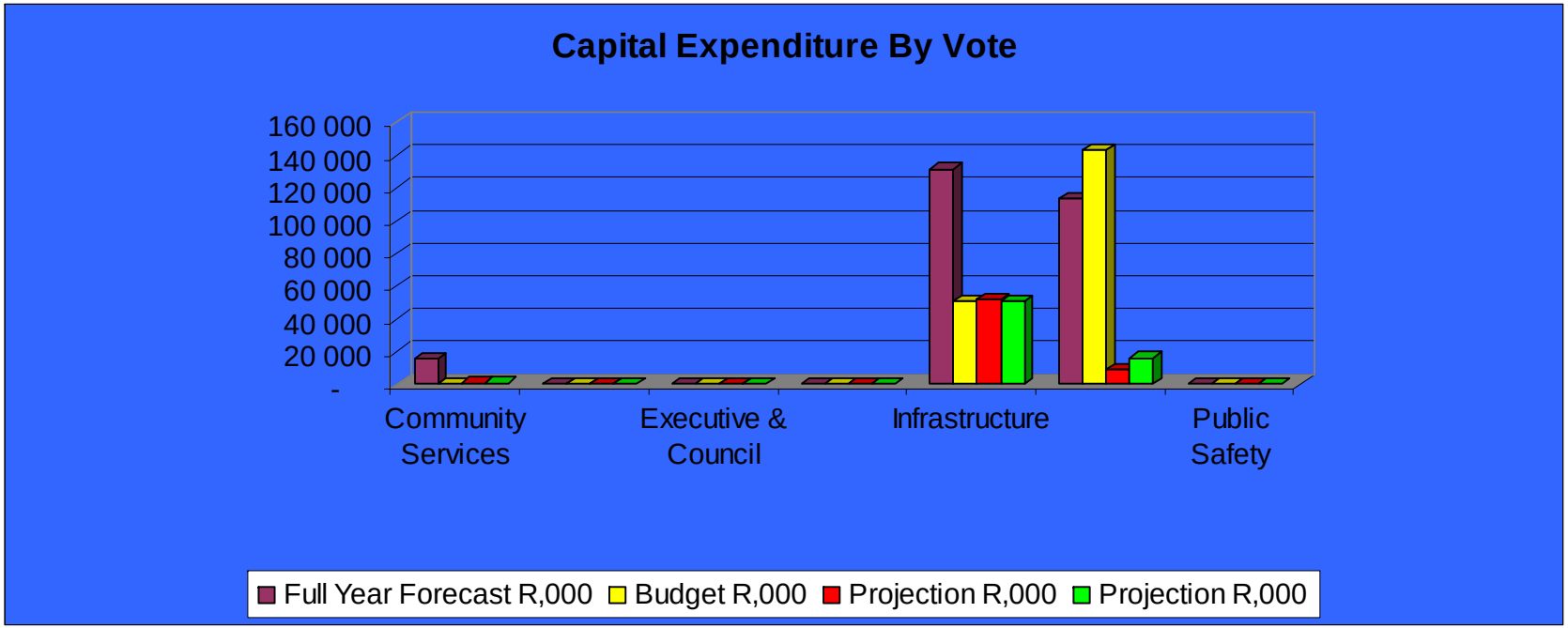

Capital Expenditure By Vote
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
-
Community Services
Executive & Council
Infrastructure
Public Safety
Full Year Forecast R,000
Budget R,000
Projection R,000
Projection R,000

TABLE 4
CAPITAL FUNDING BY SOURCE

SCHEDULE 4	Preceeding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Capital Funding By Source	**Actual**	**Approved Budget**	**Adjusted Budget**	**Full Year Forecast**	**Budget**	**Budget**	**Budget**
	2008/09	**R,000**	**R,000**	**R,000**	**R,000**	**R,000**	**R,000**
National Government							
Approved Grants	19 448	77 638	77 638	77 638	50 390	51 724	50 709
Carried Forward Grants							
Total National Grants	**19 448**	**77 638**	**77 638**	**77 638**	**50 390**	**51 724**	**50 709**
Provincial Government							
Approved Grants	5 870	165 184	165 184	178 899	142 984	9 000	16 200
Total Provincial Grants	**5 870**	**165 184**	**165 184**	**178 899**	**142 984**	**9 000**	**16 200**
Total Government Grants	**25 318**	**242 822**	**242 822**	**256 537**	**193 374**	**60 724**	**66 909**
Public Contributions	0	3 900	3 900	3 900			
Accumulated Surplus(Own Funds)	656	1 261	1 261	1 521	2 148	1 910	2 101
Total Funding of Capital Expenditure	**25 974**	**247 983**	**247 983**	**261 958**	**195 522**	**62 634**	**69 010**

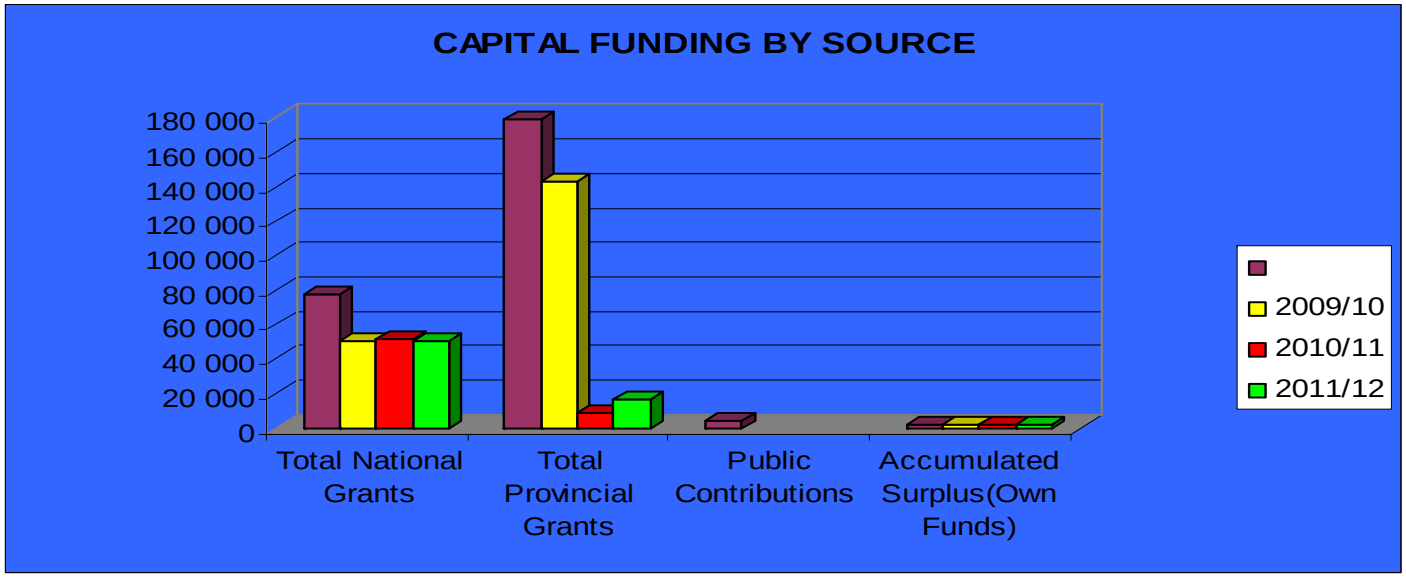

CAPITAL FUNDING BY SOURCE
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
0
Total National Grants
Total Provincial Grants
Public Contributions
Accumulated Surplus(Own Funds)
2009/10
2010/11
2011/12

TABLE 5
SUMMARY OF REVENUE & EXPENDITURE BY VOTE

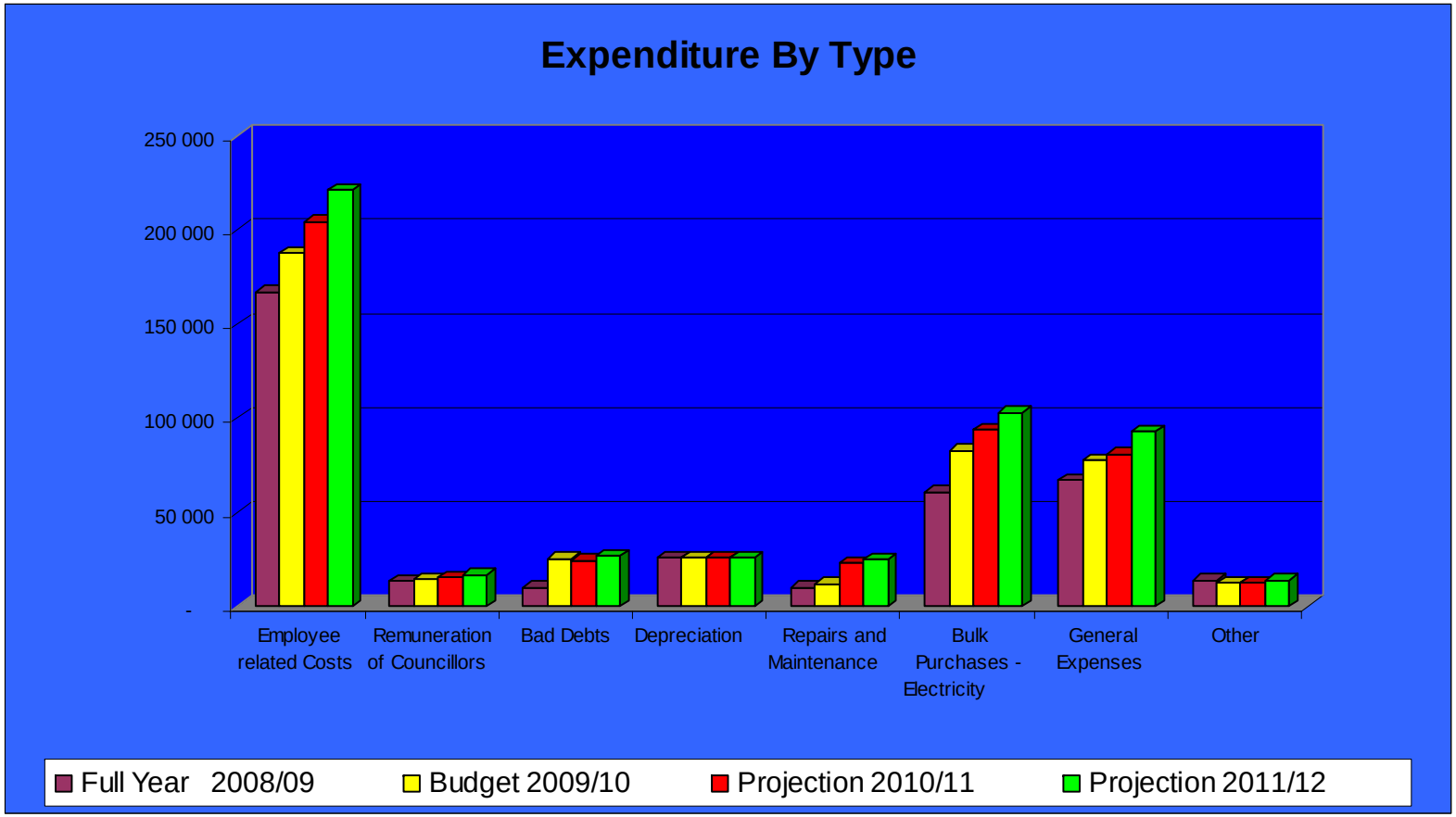
Table 5	2009/2010						
	Appropriation			Funding			Surplus /
Summary of Rev and Exp by GFS Classification	Capex	Opex	Total	Own source	External	Total	(Deficit)
	000's	000's	000's	000's	000's	000's	000's
Executive and Council	57	27 091	27 148	-	-	-	-27 148
Finance and Administration	734	130 495	131 229	115 900	127 276	243 176	111 947
Planning,Social & Economic development	23 061	15 026	38 087	-	27 359	27 359	-10 728
Housing	60	1 006	1 066	-	-	-	-1 066
Road Transport	34 647	32 060	66 707	800	37 520	38 320	-28 387
Electricity	16 000	57 469	73 469	151 914	16 000	167 914	94 445
Sport and recreation	120 000	19 712	139 712	-	120 000	120 000	-19 712
Health	-	30 198	30 198	-	-	-	-30 198
Community & Social Services	624	107 968	108 592	1 379	-	1 379	-107 213
Waste Management		14 729	14 729	17 725	-	17 725	2 996
Public Safety	338	1 294	1 632	9 261	7 435	16 696	15 064
Other	-		-	-	-	-	-
Total	**195 521**	**437 048**	**632 569**	**296 979**	**335 590**	**632 569**	**-**

Table 5	2010/11						
	Appropriation			Funding			Surplus /
Summary of Rev and Exp by GFS Classification	Capex 000's	Opex 000's	Total 000's	Own source 000's	External 000's	Total 000's	(Deficit) 000's
Executive and Council	30	30 016	30 046			-	-30 046
Finance and Administration	630	142 944	143 574	149 867	129 688	279 555	135 981
Planning,Social & Economic development	9 140	14 458	23 598		11 130	11 130	-12 468
Housing	-	1 243	1 243			-	-1 243
Road Transport	40 589	40 015	80 604		43 073	43 073	-37 531
Electricity	11 295	117 564	128 859	170 250	11 295	181 545	52 686
Sport and recreation	-	450	450			-	-450
Health	-	21 637	21 637			-	-21 637
Community & Social Services	870	18 511	19 381			-	-19 381
Waste Management	-	36 658	36 658	19 523		19 523	-17 135
Public Safety	80	57 598	57 678	8 318	584	8 902	-48 776
Other	-	-	-		-	-	-
Total	**62 634**	**481 094**	**543 728**	**347 958**	**195 770**	**543 728**	**-**

Table 5	2011/12						
		Appropriation			Funding		Surplus /
Summary of Rev and Exp by GFS Classification	Capital R'000	Operating R'000	Total R'000	Own source R'000	External R'000	Total R'000	(Deficit) R'000
Executive and Council	30	32 792	32 822		-	-	(32 822)
Finance and Administration	630	156 083	156 713	163 667	140 764	304 431	147 718
Planning,Social & Economic development	16 340	15 698	32 038		19 220	19 220	(12 818)
Housing	-	1 281	1 281		-	-	(1 281)
Road Transport	34 860	45 561	80 421	-	37 353	37 353	(43 068)
Electricity	16 200	126 585	142 785	187 028	16 000	203 028	60 243
Sport and recreation	-	483	483		-	-	(483)
Health	-	23 297	23 297	-	-	-	(23 297)
Community & Social Services	870	21 152	22 022	1 814	-	1 814	(20 208)
Waste Management	-	39 471	39 471	19 523	-	19 523	(19 948)
Public Safety	80	62 869	62 949	8 318	595	8 913	(54 036)
Other	-	-	-		-	-	-
Total	**69 010**	**525 272**	**594 282**	**380 350**	**213 932**	**594 282**	**0**

TABLE 6
OPERATING EXPENDITURE BY TYPE

	Actual 2007/08 R.000	Original 2008/09 R000	Amended 2008/09 R000	Full Year 2008/09 R000	Budget 2009/10 R000	Budget 2010/11 R000	Budget 2011/12 R000
Operating expenditure by type							
Employee related Costs	153 566	164 847	164 847	167 195	187 442	204 576	220 942
Remuneration of Councillors	11 782	11 691	11 691	13 611	14 348	15 639	16 890
Bad Debts	5 896	17 129	29 594	10 000	25 603	24 611	26 963
Depreciation	26 037	-	-	26 000	26 000	26 000	26 000
Repairs and Maintenance	8 500	10 213	10 213	10 241	12 294	23 000	25 000
Bulk Purchases - Electricity	46 259	48 308	54 337	61 000	82 825	93 696	102 929
Contracted Services	1 668	4 585	4 585	2 251	2 530	2 783	3 061
Advertising	167	101	101	101	202	222	244
Bank charges	578	1 072	1 072	1 072	1 248	1 373	1 510
Insurance	2 307	2 265	2 265	2 540	2 498	2 748	3 023
Legal fees	4 737	3 180	3 180	7 180	3 508	3 859	4 245
Seminar/ Conferences	151	166	166	166	713	575	633
Travel and Accomodation	391	604	604	604	1 899	974	1 071
General Expenses - Other	68 803	63 214	63 214	67 104	77 663	81 037	92 761
Totals	**330 842**	**327 375**	**345 869**	**369 065**	**438 773**	**481 093**	**525 272**


Expenditure By Type
250 000
200 000
150 000
100 000
50 000
-
Employee related Costs
Remuneration of Councillors
Bad Debts
Depreciation
Repairs and Maintenance
Bulk Purchases - Electricity
General Expenses
Other
Full Year 2008/09
Budget 2009/10
Projection 2010/11
Projection 2011/12

5. SUPPORTING DOCUMENTATION

5.1 Overview of Annual Budget Process

5.1.1 Planning Process

The following process was followed to prepare for the Annual Budget:

Budget Timetable

- The tabled and approved at a council meeting in August 2008

Strategic Workshop

A strategic workshop was held on 6&7 November 2008 attended by Mayoral committee members, Heads of Department and senior managers where the following discussions took place:

- Actual performance for the 2007/08 financial year
- An outline of the budget process in terms of the MFMA
- Presentation of the Mthatha Urban and Mqanduli sustainable development Master Plan
- A briefing on the IDP process and the need to link the Master Plan to the current IDP and the budget
- First draft presentations of the departmental SDBIP's

5.1.2 Political Oversight of the Budget Process

A transparent process of budgeting is encouraged as councillors were part of budget processes.

Councillors attended the following budget related workshops

- Strategic workshop – 6/7 November 2008
- Adjustment and Annual Budget Workshop – 5/6 March 2009
- Alignment of IDP and Budget Workshop – 20&21 May 2009

The Finance portfolio chairperson attended all the departmental budget discussion meetings

The budget to be tabled in council was presented to the Mayoral committee by the Finance MMC before it was tabled in council

5.1.3 Integrated Development Plan Process

A comprehensive IDP process is outlined in the IDP document.
The following extract from the IDP document outlines the IDP process:

IDP PROCESS PLAN

In line with chapter 5, section 34 of the Municipal Systems Act of 2000 (Act No. 32 of 2000), King Sabata Dalindyebo Municipality is undertaking the process of reviewing its Integrated Development Plan. The comments received form the MEC for Local government relating to credible IDPs will be taken into consideration when embarking on IDP Review for 2009/10 financial year.

a) Content of KSD IDP Process Plan

The following documents have been considered as prerequisites for the IDP Review:

- Revision of, or crafting of a new municipal vision – aiming to accomplish the vision entailed in the Mthatha Sustainable Development Plan (Master Plan)
- Recently approved spatial plans & associated spatial framework
- Creating linkages between IDP and Master Plan
- Amendments/ adjustments due to changing circumstance
- Improving IDP content and process (acknowledging realizable/ possible / achievable goals),
- Identifying roles and responsibilities of IDP stakeholders(IDP Steering Committee & IDP Rep. Forum)
- Public participation strategy (Community Based Planning & IDP Ward to Ward Outreach Programmes)
- Adhere to binding legislation
- Revise Performance Management System and align it to Municipal Service Delivery Budget Implementation Plan
- Local Economic Development Strategy
- Disaster Management Plan
- Housing Development Plan

b) IDP Process Plan task list

Tasks detailing key points relating to itinerary and milestones in the IDP review process plan, Community Based Planning and Ward to Ward IDP Outreach Programme in particular are specified hereunder. The following clusters or teams are required to convene cluster meeting which will discuss among other things the following:

- Identification of individual ward venues;
- Identification of dates and time of visit for each ward
- Any other business(to be raised by the cluster, if necessary)

COMMUNITY (WARD) BASED PLANNING AND IDP PROGRAMME 2009/10

DATE	CLUSTERS	WARD
	CLUSTER A	
10-14 November 2008		01,02,03 & 04, 05
	CLUSTER B	
10-14 November 2008		6,7,8,9,10,30
	CLUSTER C	
10-14 November 2008		11,12,13,14
	CLUSTER D	
10-14 November 2008		15,16,17,31
	CLUSTER E	
10-14 November 2008		18, 19, 28, 32
	CLUSTER F	
10-14 November 2008		20,21,22,23
	CLUSTER G	
10-14 November 2008		24,25,26,27,29

c) Broad Community Consultation

KSD Strategic Planning Session

The strategic session which is planned to kick-start on the 6th November 2008 will be used as a catalyst or a vehicle to drive IDP Review process and it will be followed by Community Based Planning and other processes as outlined hereunder.

1st IDP Representative Forum Meeting

The IDP Representative Forum meeting will be held before the municipality embark on the Ward to Ward IDP Outreach Programme for the purpose of obtaining progress reports and challenges from other organs of states in respect of the previous IDP.

IDP Steering Committee

The IDP Steering Committee will meet when the teams are back from the Outreach Programme in order to:

- Consolidate priority projects being informed by Ward Based Plans- establish project task teams for evaluation and prioritisation of projects and programmes
- Revise vision, mission, objectives in context of braod resource framework
- Perform a gap analysis
- Identify Key Performance Areas (KPAs)
- Determine strategies and development objectives and resource mapping

IDP steering Committee meetings were not sitting but the IDP/ Budget was discussed at the Management Committee meetings and Mayoral Committee for alignment and projects/ programme refinement. The purpose of Management and Mayoral Committee was to formulate projects and programme proposals in terms of the following:-

- Objectives
- KPAs
- Measures
- Targets
- Ward location
- Target dates
- Responsibility
- Cost/ budget implications
- Identification of source of finance

2nd IDP Representative Forum meeting

This meeting will be held in order to:

- Refine and agree on IDP review strategies, objectives and KPAs
- IDP alignment with the District Municipality, Sectors Departments and Parastatals

Solicit public comments onto IDP Review

2nd IDP Steering Committee meeting

- Screening, revision and integration of projects and programmes and operational business plans,
- Institutional restructuring and alignment
- Performance Management System
- Compile integration communication plan

Council Meeting

- IDP to be table before Council in March 2009
- IDP/ Budget to be submitted to Council for approval by May 2009

5.2 Overview of Alignment of Annual Budget with Integrated Development Plan

The strategic focus areas for the 2009/10 Budget year are the following:

- Economic Development
- Service Delivery
- Institutional Development & Transformation
- Financial Viability
- Good Governance
- Spatial Development Framework

The alignment of the budget to the IDP is outlined in the tables below:

SUPPORTING TABLE 1 Reconciliation of IDP and Budget - Revenue		Preceding Year	Current Year			Medium Term Revenue & Expenditure Framework		
						Budget Year	Budget Year1	Budget Year2
		2007/08		2008/09		2009/10	2010/11	2011/12
Strategic Objective	Action Plan	Audited Actual R'000	Approved Budget R'000	Adjusted Budget R'000	Full Year Forecast R'000	Budget R'000	Projection R'000	Projection R'000
Good Governance	Executive and Counci	19 165	27 730	27 730	13	57	30	-
Good Governance	Financial Managemen	70 153	76 222	88 687	173 002	243 911	276 605	203 838
Social and Economic Development	Planning & Developme	4 641	30 141	30 141	26 933	27 437	25 486	26 191
Infrastructure	Housing	27 026	64 058	64 058	63 183	60	-	-
Sustatainable Services	Primary Health	16 230	29 330	29 330	37 180	-	-	-
Sustatainable Services	Community & Social S	22 216	11 550	11 550	5 749	1 568	1 972	1 814
Safety and Security	Public Safety	37 725	37 194	37 194	1 585	16 751	11 697	17 103
Social and Economic Development	Sport and Recreation	1 291	103 656	103 656	102 500	120 000	80	-
Sustatainable Services	Waste Management	27 541	31 314	31 314	19 336	18 159	19 671	32 405
Infrastructure	Roads	57 108	71 989	71 989	61 873	39 122	29 501	28 185
Infrastructure	Electricity	86 870	92 174	98 203	119 649	167 653	178 686	284 746
TOTAL OPERATING REVENUE		**369 966**	**575 358**	**593 852**	**611 003**	**634 718**	**543 728**	**594 282**

SUPPORTING TABLE 2 Reconciliation of IDP and Budget - Opex		Preceding Year 2007/08	Current Year 2008/09			Medium Term Revenue and Expenditure Frame Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Strategic Objective	Action Plan	Audited Actual R'000	Approved Budget R'000	Adjusted Budget R'000	Full Year Forecast R'000	Budget R'000	Projection R'000	Projection R'000
Good Governance	Executive and Council	21 857	27 706	27 706	26 404	27 091	30 016	32 792
Good Governance	Finance and Admin	116 314	75 166	87 631	96 100	130 151	142 943	156 083
Social and Economic Development	PSED	12 994	15 933	15 933	16 366	15 292	14 458	15 698
Infrastructure	Housing	834	875	875	940	1 084	1 243	1 281
Sustainable Services	Road transport	21 151	22 156	22 156	22 258	31 186	40 015	45 561
Infrastructure	Electricity	64 163	74 238	80 267	85 029	108 592	117 564	126 585
Social and Economic Development	Sport & Recreation	961	1 157	1 157	1 157	409	450	483
Sustainable Services	Health	16 089	17 150	17 150	16 170	19 693	21 637	23 297
Sustainable Services	Community & Social Services	9 129	9 986	9 986	13 267	17 720	18 511	21 152
Sustainable Services	Waste Management	29 417	31 314	31 314	31 314	31 269	36 658	39 471
Safety and security	Public Safety	37 934	40 558	40 558	47 477	54 561	57 598	62 869
Sustainable Services	Other		11 136	11 136	12 583	-	-	-
TOTAL OPERATING EXPENDITURE		**330 843**	**327 375**	**345 869**	**369 065**	**437 048**	**481 093**	**525 272**

Supporting Table 3 Reconciliation of IDP and Budget - CAPEX Strategic Objective	Function	Preceding Year 2007/08	Current Year 2008/09			Medium Term Revenue & Expenditure F/W		
						Budget Year 2009/10	Budget Y1 2010/11	Budget Y2 2011/12
		Audited Actual R'000	Approved Budget R'000	Adjusted Budget R'000	Full Year Forecast R'000	Budget R'000	Budget R'000	Budget R'000
Good Governance	Executive & Council	-	13	-	13	57	30	30
Good Governance	Finance and Admin	1 230	528	60	588	735	630	630
Social and Economic Development	PSED	-	13 775	-	13 775	23 061	9 140	16 340
Infrastructure	Housing	33 680	63 183	6 256	69 439	60	-	-
Sustatainable Services	Road transport	43 323	47 798	7 659	55 457	34 647	40 589	34 860
Infrastructure	Electricity	19 700	6 800	-	6 800	16 000	11 295	16 200
Social and Economic Development	Sport & Recreation	2 500	102 500	-	102 500	120 000	-	-
Sustatainable Services	Health	10 054	12 180	-	12 180	-	-	-
Sustatainable Services	Community & Social Servic	19 498	1 156	-	1 156	624	870	870
Sustatainable Services	Waste Management	-	-	-	-	-	-	-
Safety and Security	Public Safety	-	50	-	50	338	80	80
TOTAL CAPITAL EXPENDITURE		**129 985**	**247 983**	**13 975**	**261 958**	**195 522**	**62 634**	**69 010**

5.3 Measurable Performance Objectives and Indicators

Measurable performance objectives and indicators per department are finalised with the Service Delivery and Budget Implementation Plans for the 2009/10 period which will be submitted to the Executive Mayor at the end of June 2009.

5.4 Overview of Budget related policies

The following amended policies are applicable to the budget process and are approved by council as per the council resolution

- Property Rates Policy
- Tariffs Policy
- Credit control and Debt collection policy
- Fleet and Plant Policy (New policy)
- Indigents Policy

The Property rates policy and credit control and debt collection by law were reviewed in November 2008

The Fleet and plant policy was approved by council in March 2009.

5.5 Overview of Budget Assumptions

This section provides a summary of assumptions used in the preparation of this budget.

Description	2008/9 Actual	2009/10 Budget	2010/11 Projection	2011/12 Projection
Inflation Forecast	8.1%	5.4%	5.1%	4.6%
GDP Growth	3.1%	1.2%		
Revenue Items				
Property Rates %	12%	20%	8%	8%
Electricity %	32%	34%	8%	10%
Refuse Removal %	13%	12%	8%	10%
Other Tariffs %	5%	8%	8%	8%
Expenditure items				
Employee related costs %	8%	12%	10%	8%
Electricity Bulk Purchases %	32%	34%	10%	8%
General Expenses %	-2%	13%	10%	10%
Indigent subsidy	0%			
Provision for Bad Debts (%of own Revenue)	10%	6%	6%	6%
Provision for Depreciation (Based on actual Depn)				

5.6 Overview of Budget Funding

5.6.1 Fiscal Overview

Previous financial year's performance (June 2008)

The financial year to June 2008 has been marked with challenges financially and operationally. Revenue growth had slowed and the ageing infrastructure and plant and vehicles fleet has yielded low returns on the assets and stifled service delivery. The high inflation rate experienced in the country during the year was felt, as the operating expenditure shows a significant increase and the rate of collection from customers has not improved much as household and business income is marginal.

The operating results for the year ended 30 June 2008 has yielded a deficit of R16.9 million (2007 surplus R29.7million). Performance against budget exceeded actual, with revenue at 12.11% over budget and expenditure at 11.3% over budget.

Actual capital expenditure amounted to R29 million. The expenditure was funded substantially from Government grants and subsidies. Legal cases on land claims has resulted in delays in the urban renewal projects and other infrastructure projects

Outstanding consumer debtors increased form R249 million on 30 June 2007 to R251 million on 30 June 2008. A provision for bad debts R74 827 817, (2007 R74 654 299) has been raised which is made up of mostly water and sewerage service debtors and old unverifiable accounts.

Long-term liabilities relate to DBSA loans that are serviced. The PIC loan which is the capital amount (R38 million) and interest accrued to date (R75 million) has reached its maturity date in 2003, but was not settled at that date due to a financial crisis at the municipality. Negotiations with the PIC to review the terms of the loan are ongoing and expected to be completed in the next financial year.

5.6.2 Sources of Funding

Operating expenditure is funded from Assessment rates, Services revenue (Electricity and Refuse removal), Grants and subsidies and Other revenue.

Assessment Rates

The municipal Property Rates Act has been implemented and a new valuation roll is in place. The valuation roll is based on the market value of properties. The market value is R8 billion, an increase of R6 billion from the previous valuation roll.

The valuation roll has been categorised into residential, commercial, agriculture and state. Within residential properties the effect of rural properties and RDP houses, has been considered, as these properties are exempt in terms of our rates policy.

The ratio previously applied to the value of the properties was at an average of 0.20. With the new valuation roll the ratio drops to 0.08 for residential and 0.16 for business. The impact on the household bills has been minimised to a great extent. The total increase in revenue from Property rates for the 2009/10 budget is 20%.

For the 2010/2011 budget year the proposed increase is 6% made up of the increase in the CPIX plus any expansion to the 2009/2010 revenue base.

Electricity

Nersa has not yet tabled or approved a new electricity pricing structure at the time of preparing this budget.

National Treasury has however advised municipalities to budget for a 34% increase in bulk electricity tariffs. This recommended increase applies to the 2009/10 financial year. For the two outer years, we have assumed an 8% increase.

If NERSA tables a revised electricity pricing structure before 1 July 2009, we will adjust our budget accordingly.

Refuse Removal

Refuse removal as an economic service should be operated to at least a point of break even.

The proposed increase in the refuse collection tariff is 10% which is due to the service currently being rendered at a deficit.
For the two outer years the proposed increase is 8% per annum.

Grants and Subsidies

These are inter-governmental contributions in the form of the equitable share, finance management grant, municipal systems improvement grant and others as may be determined from time-to-time.

Other Revenue

Other Revenue includes services from building plan fees, use of council facilities, electricity connection fees, traffic fines, transport fees, dumping fees, etc.

The proposed increase for the 2008/2009 financial year is 10%.
For the two outer years the proposed increase is 8% per annum

Funding of Operating expenditure

Where possible, zero-based budgeting has been applied to all categories of expenditure.

An in-depth review of revenue, expenditure and the targets for each category has been undertaken during the budget process, resulting in budget allocations that are not based on an incremental approach. The zero-based type of analysis where all activities are open to review at budget time also allows an opportunity to reallocate resources and avoid continuous growth in budgeted expenditure.

The following elements have a major impact on the expenditure budget:-

- Employee related costs
- Bulk purchases - Electricity
- Repairs and maintenance
- General expenses
- Provisions (Bad Debts and Depreciation)

Employee related costs which includes the remuneration of councillors constitute 47% of the total expenditure.

A breakdown of general expenses highlighting major items:

- Council ward community (R3.2 million)
- Legal Fees (R3.5 million)
- Audit Fees (R2.5 million)
- Leasing Charges(Plant & Fleet) (R4.3 million)
- Repayment of Capital & Interest (PIC Loan (R7.6 million)
- Insurance (R2.5 million)
- Indigent subsidy (R11.1 million)
- Free basic Electricity (R5.0 million)
- Roads Repairs (R3.6 million)
- Grant funded expenditure (R7.0 million)

Provisions are mainly for irrecoverable debts (R17.4 million) and depreciation (R26 million)

The provision for bad debts is at 4% of the 2009/10 billings. We anticipate a collection rate of 95%. The indigents are provided for separately - R6.1 million.

The provision for depreciation is based on the actual depreciation rate for the 2007/08 financial year.

Funding of capital expenditure

Capital expenditure is mainly funded from inter-governmental grants.
The major projects that are currently in place are, the Mthatha stadium, Ngangelizwe Urban Renewal, RDP Housing and MIG projects

The Mthatha stadium is funded by the provincial government with a budget of R120 000 for the 2009/10 financial year

The Ngangelizwe Urban renewal is funded by National Treasury and the Breaking New Ground initiative

The construction of the rural roads is funded by the municipal infrastructure grant

Investments

Investments are interim funds from unspent conditional grants which are temporarily invested in call accounts and fixed deposit accounts

The table below reflects the investments the municipality had at the end of the financial year (2007/08), projected to the MTREF period. While the level of investments fluctuates during the year the invested amounts held at the end of the year are minimal.

SUPPORTING TABLE 4 INVESTMENT PARTICULARS BY TYPE	Preceding Year 2007/08 Audited Actual 2007/8 R'000	Current Year 2008/09 Approved Budget R'000	 Adjusted Budget R'000	 Full Year Forecast R'000	MTREF Budget 2009/10 R'000	 Budget 2010/11 R'000	 Budget 2011/2012 R'000
Investment Type							
Securities - National Government							
Listed Corporate Bonds							
Deposits - Banks - Fixed deposits	14 694	1 425	1 425	52 552	5 032	5 648	6 213
Deposits PIC							
Bankers Acceptance Certificates							
Guaranteed Endowment Policies							
Repurchase Agreements - Banks							
Municipal Bonds							
Unlisted 88 Day Call Account	11 612	12 460	12 460	12 134	-	-	-
Other							
TOTAL INVESTMETNS	**26 306**	**13 885**	**13 885**	**64 686**	**5 032**	**5 648**	**6 213**

SUPPORTING TABLE 4 INVESTMENT PARTICULARS BY MATURITY	Period of Investment	Type of Investment	Expiry date of Investment	Monetary Value R 000	Interest to be Realised R 000
MEEG Bank Account no. 2061006629	1 Year	Fixed Deposit	30 September	75	9
MEEG Bank Account no. 2061006611	1 Year	Fixed Deposit	30 September	157	20
MEEG Bank Account no. 2058707123	1 Year	Fixed Deposit	30 September	517	37
MEEG Bank Account no. 2061006687	1 Year	Fixed Deposit	30 September	213	27
MEEG Bank Account no. 2058702050	1 Year	Fixed Deposit	30 September	405	29
MEEG Bank Account no. 9057851548		88 Day Deposit	25 June 2009	12 134	643
Standard Bank Account no.548664943-003		32 days	15 April 2009	20 133	183
First National Bank Account no.74180945436		7 days	31 March 2009	568	4
Nedbank Account no. 7881056738		14 days	24 March 2009	10 306	92
Nedbank Account no.1263122698		14 days	24 March 2009	15 133	29
ABSA Account no. 2068909884		8 days	26 March 2009	5 045	11
TOTAL INVESTMENTS				**64 686**	**1 083**

5.7 Expenditure on allocations and grant programmes

SUPPORTING TABLE 5 GOVERNMENT GRANTS & SUBSIDIES - ALLOCATIONS	Preceding Year 2007/08	Current Year 2008/09			MTREF		
					Budget	Budget Y1	Budget Y2
	Audited Actual R'000	Original Budget R'000	Amended Budget R'000	Full year Budget R'000	2009/10 R'000	2010/11 R'000	2011/12 R'000
National Grant Allocations							
Equitable Share	60 441	74 217	74 217	78 925	100 474	125 001	136 577
Municipal Infrastructure Grant	20 544	27 731	27 731	27 731	34 390	40 429	34 709
Financial Management Grant	500	500	500	500	750	1 000	1 250
Municipal Systems Improvement Grant	884	735	735	735	735	750	790
National Intergrated Electricity Programme	4 642	6 800	6 800	6 800	16 000	11 295	16 000
Urban Renewal Programme Ngangelizwe	39 771	43 107	43 107	43 107	6 000	2 130	2 230
Sub Total - National Grant Allocations	**126 782**	**153 090**	**153 090**	**157 798**	**158 349**	**180 605**	**191 556**
Private Grant			900	900		-	-
Provincial Grant Allocations							
Municipal Health Services	12 990	15 198	15 198	15 198	14 473	15 124	15 805
Mthatha Stadium	2 500	100 000	100 000	100 000	120 000	-	-
Urban Renewal Programme	76 334	68 184	68 184	68 184	20 008	9 000	16 200
Municipal Support Grant	1 020						
Devolution of property rates & tax					2 670	2 937	2 937
OR Tambo				2 200			
Grant - Disaster Management					3 789	584	595
Grant - Fire					2 600		
YAC grant					351		
LTO grant				50	55		
LGTA grant				5 200			
Informal Settlement Grant							
IDP Grant				110	210		
Spatial Development Grant	2 014						
Vehicle Testing Station Grant							
Local Economic Development	1 400						
ISRDP Nodal Support		1 000	1 000	1 000	1 045	1 092	1 092
PMU Technical Support		421	421	421	1 645	-	-
Infrastructure Support Services		1 421	1 421	1 421	1 485	1 552	1 552
Provincial Grant Allocations	96 258	186 224	186 224	193 784	168 331	30 289	38 181
Total Grants	**223 040**	**339 314**	**340 214**	**352 482**	**326 680**	**210 894**	**229 737**
Grants carried forward		11 437	11 437	11 437	-	-	-
Health Grant Included in SLAs		(15 198)	(15 198)	(15 198)	(14 473)	(15 124)	(15 805)
As per Schedule 1	**223 040**	**335 553**	**336 453**	**348 721**	**312 207**	**195 770**	**213 932**

5.8 Allocations and grants made by the municipality

The municipality only makes allocations to the SPCA at R22 000 per month (R264 000) for the 2009/10 budget period. The amount escalated by 10% per annum

5.9 Councillor and Official allowances and Employee benefits

Table 8 **DISCLOSURE OF SALARIES , ALLOWANCES & BENEFITS**	Salary Rand PA	Social Contributions Rand PA	Allowances Rand PA	Performance Bonuses Rand PA	Total Package Rand PA
Councillors					
Political office bearer by designation					
Executive Mayor	515 187	-	149 454		664 640
Speaker	358 694	-	119 564		478 258
Executive Committee Members - Full Ti	2 353 914	-	784 630		3 138 544
Total for all other councillors	7 397 978	-	2 465 993		9 863 971
Officials of the Municipality					
Municipal Manager	993 450	-		-	993 450
Chief Finance Officer	745 088	-		-	745 088
Senior managers reporting to MM by designation					
Director of Corporate Services	666 000	-		-	666 000
Director of Community Services	666 000	-		-	666 000
Director of Infrastructure	666 000	-		-	666 000
Director of Public Safety	666 000	-		-	666 000
Director of Planning & Local Economic D	692 307	-		-	692 307
Director of Human Settlement	666 000	-		-	666 000
Official with package >=senior manager by designation					
14x General Managers @ 470,000 each	6 260 400				6 260 400
Manager Ngangelizwe Urban Renewal	706 729	-		-	706 729
TOTAL	23 353 746	-	3 519 640	-	26 873 386

SUPPORTING TABLE 8A	Prior year	Current Year 20008/09			Medium	Term	Framework
	Prior year 2007/08	Budget			2009/2010	2010/11	2011/12
Summary of Total Salaries, Wages, and Allowances	Un-audited **R'000**	Approved **R'000**	Adjusted **R'000**	Forecast **R'000**	2009/10 **R,000**	2010/11 **R'000**	Oct-09 **R'000**
Councillors (Political Office Bearers)							
Basic Salaries	7 861	8 531	7 080	10 161	10 323	11 149	12 041
Pension Contribution							
Medical Aid Contribution							
Allowances	3 450	4 025	3 344	3 450	4 025	4 490	4 849
Sub-Total Councillors	11 311	12 556	10 424	13 611	14 348	15 639	16 890
Senior Managers (s 57 of Systems Act)							
Basic Salaries	2 798	3 427	3 427	3 427	12 728	13 747	14 846
Pension Contribution							
Medical Aid Contribution							
Allowances							
Performance Bonus	-	354	354	354			
Sub-Total Senior Managers	2 798	3 781	3 781	3 781	12 728	13 747	14 846
Other Municipal Staff							
Basic Salaries	89 333	102 577	91 849	88 487	97 673	105 487	113 926
Pension Contribution	13 664	14 755	14 752	11 390	15 945	17 221	18 598
Medical Aid Contribution	9 829	11 422	11 424	8 062	13 139	14 190	15 325
Allowances	35 667	32 332	58 836	55 474	48 199	53 932	58 246
Sub-Total Other Municipal Staff	148 493	161 086	176 861	163 413	174 956	190 829	206 096

SUPPORTING TABLE 8B	2007/08	Current Year 2008/09			Medium Term Framework		
					Budget 2009/10	Budget 2010/11	Budget 2011/12
SUMMARY OF PERSONNEL NUMBERS	Actual	Approved Budget	Adjusted Budget	Full Year Forecast		Budget	Budget
	No.	No.	No.	No.		No.	No.
Municipality							
Councillors	64	64	64	64	64	64	64
Senior Managers	6	6	6	6	7	7	7
Other Managers	15	15	17	15	27	27	27
Technical / Professional Staff	196	196	196	196	196	196	196
Other Staff	889	889	890	889	869	869	869
Sub Total - Municipality	1170	1170	1173	1170	1163	1163	1163
Entities							
Board Members	0	0	0	0	0	0	0
Senior Managers including CEO	0	0	0	0	0	0	0
Other Managers	0	0	0	0	0	0	0
Technical / Professional Staff	0	0	0	0	0	0	0
Other Staff (clerical, labourers etc)	0	0	0	0	0	0	0
Sub Total - Entities	0	0	0	0	0	0	0
TOTAL PERSONNEL NUMBER	1170	1170	1173	1170	1163	1163	1163

5.10 Monthly Targets for Revenue, Expenditure and Cash Flow

SUPPORTING TABLE 9 Monthly Targets for Revenue and Expenditure CashFlows	Budget 2009/10 R'000	Jul-09 R'000	Aug-09 R'000	Sep-09 R'000	Oct-09 R'000	Nov-09 R'000	Dec-09 R'000	Jan-10 R'000	Feb-10 R'000	Mar-10 R'000	Apr-10 R'000	May-10 R'000	Jun-10 R'000
Opening Balance		***7 458***	***43 976***	***35 590***	***27 204***	***52 309***	***43 923***	***31 936***	***23 550***	***48 655***	***40 269***	***31 883***	***23 496***
INCOME BY SOURCE													
Income from Services	**264 805**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**	**22 067**
Property Rates (Monthly)	99 807	8 317	8 317	8 317	8 317	8 317	8 317	8 317	8 317	8 317	8 317	8 317	8 317
Electricity (Pre Paid Metering)	141 672	11 806	11 806	11 806	11 806	11 806	11 806	11 806	11 806	11 806	11 806	11 806	11 806
Refuse Removal	18 077	1 506	1 506	1 506	1 506	1 506	1 506	1 506	1 506	1 506	1 506	1 506	1 506
Other Service Charges	4 529	377	377	377	377	377	377	377	377	377	377	377	377
Interest Charge on Outstanding Debtors	720	60	60	60	60	60	60	60	60	60	60	60	60
Sundry Income	**45 939**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**	**3 828**
Licenses and Permits	6 052	504	504	504	504	504	504	504	504	504	504	504	504
Traffic Fines	1 650	138	138	138	138	138	138	138	138	138	138	138	138
Rental - Facilities	11 132	928	928	928	928	928	928	928	928	928	928	928	928
Interest on Investments	2 186	182	182	182	182	182	182	182	182	182	182	182	182
Income from Agency Services	23 382	1 949	1 949	1 949	1 949	1 949	1 949	1 949	1 949	1 949	1 949	1 949	1 949
Gain on Asset Disposals	500	42	42	42	42	42	42	42	42	42	42	42	42
Other Sundry Income	1 037	86	86	86	86	86	86	86	86	86	86	86	86
Subsidies and Grants	**311 260**	**121 701**	**-**	**14 492**	**50 288**	**60 000**	**-**	**14 492**	**50 288**	**-**	**-**	**-**	**-**
Equitable Share Grant	100 474	33 491			33 491				33 491				
Municipal Infrastructure Grant	34 390	11 463			11 463				11 463				
Dept of Transport(Taxi Rank)													
Urban Renewal Programme	28 983			14 492				14 492					
Dept of Mineral & Energy	16 000	5 333			5 333				5 333				
DHLG & TA (Housing)													
Stadium	120 000	60 000				60 000							
Provincial	616	616											
Urban Renewal Programme(Operational)	1 045	1 045											
Disaster	5 137	5 137											
State	1 485	1 485											
MIG(Operational)	3 130	3 130											
TOTAL INCOME	**622 004**	**147 596**	**25 895**	**40 387**	**76 183**	**85 895**	**25 895**	**40 387**	**76 183**	**25 895**	**25 895**	**25 895**	**25 895**
EXPENDITURE													
Salaries and Allowances	**202 032**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**	**16 836**
General Expenses	**174 244**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**	**14 520**
Bulk Purchases - Electricity	78 992	6 583	6 583	6 583	6 583	6 583	6 583	6 583	6 583	6 583	6 583	6 583	6 583
Other General Expenses - net of depreciation	95 252	7 938	7 938	7 938	7 938	7 938	7 938	7 938	7 938	7 938	7 938	7 938	7 938
Redemption - External Loans	**7 200**	**-**	**-**	**-**	**-**	**-**	**3 600**	**-**	**-**	**-**	**-**	**-**	**3 730**
- DBSA		-	-	-	-	-	-	-	-	-	-	-	130
- PIC	7 200	-	-	-	-	-	3 600	-	-	-	-	-	3 600
Capital Expenditure	**201 109**	**76 941**	**145**	**14 636**	**16 941**	**60 145**	**145**	**14 636**	**16 941**	**145**	**145**	**145**	**145**
- Capital from Income	1 736	145	145	145	145	145	145	145	145	145	145	145	145
- Capital from MIG/DME etc.	199 373	76 797	-	14 492	16 797	60 000	-	14 492	16 797	-	-	-	-
Other Cash Expenditure	**33 367**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**	**2 781**
Rebates	4 227	352	352	352	352	352	352	352	352	352	352	352	352
Provision for Bad Debt	29 140	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428
TOTAL EXPENSES	**617 952**	**111 078**	**34 282**	**48 773**	**51 078**	**94 282**	**37 882**	**48 773**	**51 078**	**34 282**	**34 282**	**34 282**	**38 012**
MONTHLY SURPLUS/(DEFICIT)	***4 052***	***36 518***	***-8 386***	***-8 386***	***25 105***	***-8 386***	***-11 986***	***-8 386***	***25 105***	***-8 386***	***-8 386***	***-8 386***	***-12 116***
Closing Balance		**43 976**	**35 590**	**27 204**	**52 309**	**43 923**	**31 936**	**23 550**	**48 655**	**40 269**	**31 883**	**23 496**	**11 380**

5.11 Annual Budgets and Service Delivery and Budget Implementation Plans

This document guides management in implementing IDP priorities and enables the Executive Mayor, Council and the community to monitor progress with regard to Budget and IDP implementation.

Performance agreements, quarterly reports and annual reports are all informed by the SDBIP.

The Service Delivery and Budget Implementation Plans will be approved in May 2009

The key performance activities for each vote are as follows:

Budget and Treasury Office

- Property Rate Valuation Roll – compliance with the Property Rates Act 2004.
- Debtors Data Cleansing – provide accurate statements to all consumers
- Raise Debtors Collection Rate to 95% - improve cash flow to meet commitments
- Implementation of the credit control and debt collection policies
- Asset Management - Manage municipal assets and maintain accurate records
- Supply Chain Management - Improve procurement processes and reporting
- Accounting Issues – Improve the standard of internal and external reporting

Community Services

- Solid Waste Collections – improve town appearance and reduce sickness and disease and upgrade and rehabilitate the solid waste site
- Parks and Amenities – improve town appearance, provide recreational facilities and identify new cemetary site
- Libraries – provide recreational pursuits for the public and encourage reading to the public
- Health and Environment – ensure that sickness and disease is minimised
- Primary Health Care (PMC) – rendering of quality health care and prevention of HIV, TB and communicable diseases
- Social Services – counselling and arranging for the rehabilitation of drug and alcohol abuse

Infrastructure

- Project management unit - Develop the capital infrastructure within KSD
- Engineering services - Maintain roads within KSD to promote LED and improve standard of living
- Development planning Services - Promote the development of sustainable human settlements using order and standard development. Ensure compliance with building standards

- Electrical services – maintain and achieve a consistent and safe supply of electricity to KSD

Public Safety

- Vehicle Registration – improve service to public
- Issue of Drivers Licenses – reduce time taken to obtain a license
- Fire Service – improve the service to the public
- Road Traffic – manage traffic flows and remove road unworthy vehicles
- By-Laws – provide the legislative parameters for the department to operate legally
- Crime Prevention – improve community safety and prevent the loss of property

Corporate Services

- Policy Review; Formulation and Implementation – HR policies require updating
- Disaster Recovery Plan (DRP) IT – protect the data and files of the Municipality
- Automation of Municipal IT Support – computer training and uses of IT
- Training and Development – provide appropriate support for employees
- Review the Municipality's organogram – the current organogram is outdated

Municipal Manager's Office

- Management – management of workflow and staff within the office
- Support Service – provide advice and support to the political structure
- Internal Audit – oversee progress of the approved work plan
- Customer Care – instil a culture of assisting consumers
- Urban Renewal Programme – coordinate the Ngangelizwe URP

5.12 Contracts having future Budgetary Implications

The following contracts will have future budgetary implications

- Full maintenance lease - plant and fleet
- Ngangelizwe urban renewal project
- Mthatha stadium

Projections at this stage are only based on confirmed funding.

5.13 Capital Expenditure Details

	Prior Yr	Current			Medium Term		
CAPITAL EXPENDITURE BY CATEGORY	**Audited Actual R'000**	**Approved Budget R'000**	**Adjusted Budget R'000**	**Full Year Forecast R'000**	**Budget 2009/10 R,000**	**Budget 2010/2011 R'000**	**Budget 2011/2012 R'000**
INFRASTRUCTURE	**21 717**	**131 292**	**131 292**	**140 007**	**73 374**	**60 688**	**66 909**
Land and Buildings	918	13 704	13 704	13 704	-		
Roads, pavements, bridges & storm water	20 243	47 605	47 605	56 320	34 390	40 429	34 709
Electricity reticulation		6 800	6 800	6 800	16 000	11 259	16 000
Sewerage purification and reticulation		-	-	-	-		
Housing	556	63 183	63 183	63 183	22 984	9 000	16 200
COMMUNITY	**2 346**	**114 830**	**114 830**	**114 830**	**120 000**	**-**	**-**
Establishment of parks & gardens	37						
Sports fields	246	102 500	102 500	102 500	120 000	-	-
Community halls	510	-	-	-	-	-	-
Libraries	53	150	150	150	-	-	-
Recreation facilities	215	-	-	-	-	-	-
Clinics	106	12 180	12 180	12 180	-	-	-
Museums & art galleries		-	-	-	-	-	-
Other	1 179	-	-	-	-	-	-
OTHER ASSETS	**1 751**	**1 250**	**1 250**	**1 310**	**2 148**	**1 910**	**2 101**
Other motor vehicles	801	304	304	304	312		
Plant & equipment		-	-	-	593	500	500
Office equipment	950	869	869	929	510	500	500
Other land & buildings		25	25	25	250	500	500
Other		52	52	52	483	410	601
SPECIALISED VEHICLES	**160**	**-**	**-**	**-**	**-**	**-**	**-**
Refuse		-	-	-	-	-	-
Fire	160	-	-		-	-	-
TOTAL CAPITAL EXPENDITURE	**25 974**	**247 372**	**247 372**	**256 147**	**195 522**	**62 598**	**69 010**

Summary of Detailed Capital Plan

Statutory Requirements Specific to the Capital Budget

The vehicle through which the needs of the municipality are identified and priorities set is the Integrated Development Plan (IDP). The Capital Budget must then accordingly be allocated to cover the higher priority projects in the IDP.

The Municipal Finance Management Act Section 19 states that a municipality may spend money on a capital project only if-: -

The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget;

The project, including the total cost, has been approved by the Council

The sources of funding have been considered, are available and have not been committed for other purposes.

Before approving a capital project in terms of section 19 (1) (b), the Council of a municipality must consider-

The project cost covering all financial years until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications.

Municipal Infrastructure grant Projects

2009/10

Project name	Value	Ward	Extent of works
Tyalarha via Krakra Access road	8 863 372	20	17.5km
Matiyane Access road	2 430 165	12	6km
Makhawula School Access road	548 807	16	1km
Gwegwe via Qolweni	8 447 196	32	13.5km
Darabe Access road	3 218 220	28	5.1km
Lutshini Access road	6 655 000	23	8.1km
Siqikini Access road	4 256 680	26	7.6km
Total	**34 419 440**		

2010/11

Project name	Value	Ward	Extent of works
Nqadu West Surfaced Road	7 967 370	9	2km
Kwenxura –Kroza	4 147 606	20	16km
Maqomeni-Mahlungulu	7 212 700	22	8.2km
Sheshegu & Phelandaba	2 974 736	13	4.8km
Luthuthu JSS-T280	4 005 903	31/32	7.2km
Maydene Farm bus route	8 000 000	9	2.2km
Qokolweni-Jongilanga	3 278 166	26	14.5km
Total	**37 586 481**		

Ngangelizwe Urban Renewal Programme

Ngangelizwe is a pilot site for various government programmes. The five wards that constitute the Ngangelizwe pilot area serve as the gateway for the sustainable development of the Mthatha functional urban area.

The project started as a Provincial Urban Renewal node selected by the Provincial Government with public consultation over an 18 month period. The purpose of the consultation was to understand the social fabric of the Ngangelizwe community, to establish a base line (Fort Hare Human Development Index) and to assist the community to identify the development priorities that will contribute to change the quality of life and the face of Ngangelizwe. The business plan for Ngangelizwe has 136 projects and was approved by the Municipality in April 2006.

The Development Bank of Southern Africa selected Ngangelizwe as one of the six pilot sites for Sustainable Community Development with the strategy being based on the policy framework for sustainable development.

The URP business plan was subjected to the principles of sustainable development as stated in the policy framework and as formulated by the Development Bank of Southern Africa.

The Ngangelizwe Programme Office applied for grant funding from National Treasury's Neighbourhood Development Partnership Programme (NDPP).

The programme agreed to fund the core nodes that form the backbone of the development strategy.

The selection of nodes was guided by the desired outcome of the Neighbourhood Development Partnership Grant (NDPG) and the outcomes for sustainable development.

Soon after the formalization of the NDPG partnership, the Provincial Department of Local Government, Housing and Traditional Affairs choose Ngangelizwe as a pilot for the Breaking New Ground (BNG) programme. The Breaking New Ground Programme is based on the Housing Department's strategy to change from the provision of housing structures to the provision of sustainable human settlements. The approved projects of URP, Sustainable Community Development, and the NDPG provided a good spring board to launch the BNG pilot.

The BNG agreed to start the BNG pilot in Ngangelizwe and there after attend to the remaining urban area of Mthatha.

Ngangelizwe pilot serves as the entry point / gateway for the Mthatha development must illustrate the principles of sustainability to the communities and stakeholders of the rest of Mthatha.

The programme is to be completed in 2011 with the total overall cost being R1.2 billion.

- Funding for the 2009/10 budget year is as follows:
- National Treasury (Neighbourhood Development Partnership Grant) R10 million
- BNG - R17 983 653

Mthatha Stadium

The total allocation received and confirmed for the Mthatha stadium is R220 million.

The stadium project was initially started with a mission to complete the stadium in time for the 2010 world cup
This meant that the scope was much wider due to the FIFA requirements. On the review of the progress of the stadium, Mthatha missed the opportunity to be a host city for the training sessions.
The project scope is now being re-assessed due to funding constraints

The allocation for the 2009/10 budget is R120 million. There is no confirmation of any additional future allocations
at this stage

5.14 Legislation compliance status

The municipality has steadily made good progress with the implementation of the Municipal Finance Management Act (MFMA) since the Act came into effect on 1 July 2004.

Workshops and seminars have been held providing opportunities for councillors and officials to become familiar with the requirements of the Property Rates Act.

A Rates Policy is currently being published for comment and will be adopted by council

The municipality is in the process of finalising implementation of the Property Rates Act 2004.

In particular the provisions relating to budgeting, internal and external reporting, supply chain management, and establishing a policy framework have been successfully introduced

5.15 Budgeted Financial Statements

Statement of Financial Performance

Item Description	Prior Yr	Current Year			Medium Term		
	Actuals 2007/08 R,000	Budget 2008/09 R000	Budget 2008/09 R000	Full year 2008/09 R000	Budget 2009/10 R000	Budget 2010/11 R000	Budget 2011/12 R000
REVENUE							
Property Rates	71 338	80 804	80 804	**79 803**	99 807	107 792	116 415
Electricity Receipts	84 784	94 355	112 849	**112 457**	151 222	165 359	181 648
Refuse Removal	13 648	16 142	16 142	**15 440**	18 077	19 523	21 475
Service Charges -Other	0	3194	3194	**2 946**	4 529	4 891	5 380
Rental - Facilities	9 691	10 120	10 120	**10 120**	11 147	12 023	13 225
Licenses and Permits	7 101	4 593	4 593	**5 793**	6 104	6 536	7 190
Interest - Investments	3 645	110	110	**3 110**	2 186	2 361	2 597
Interest - Debtors	0	200	200	**700**	720	778	855
Fines	1 625	1 535	1 535	**1 535**	1 650	1 782	1 960
Grants & Subsidies	118 259	88 832	88 832	**102 942**	118 835	135 031	147 023
Service Level Agreements	0	25 000	25 000	**15 000**	23 382	25 253	27 778
Gain on Asset Disposals	0	500	500	**500**	500	540	594
Other Income	3864	2 352	2 352	**2 498**	1 037	1 120	1 232
TOTAL OPERATING INCOME	**313 955**	**327 737**	**346 231**	**352 844**	**439 196**	**482 988**	**527 373**
Less Prov for Doubtful Debts	5895	17 129	29 594	**10 000**	23 579	24 611	26 963
Less Revenue Foregone	0	3 523	3 523	**3 523**	4 227	4 650	5 115
TOTAL REVENUE	**308 060**	**307 085**	**313 114**	**339 321**	**411 390**	**453 727**	**495 295**
EXPENDITURE							
Staff Costs	153 566	164 847	164 847	**167 195**	187 442	204 576	220 942
Remuneration of Councillors	11 782	11 691	11 691	**13 611**	14 348	15 639	16 890
Depreciation	0			**26 000**	26 000	26 000	26000
Repairs and Maintenance	8 500	10213	10213	**10 241**	12 294	23 000	25 000
Interest Paid	13 783	4562	4562	**1 562**	8 063	8 869	9 756
Bulk Purchases	46 259	48 308	54 337	**61 000**	82 825	93 696	102 929
General Expenses - Other	89 390	61 069	60 707	**71 073**	75 125	76 589	87 885
Contracted Services	1 667	4585	4585	**2 251**	2 530	2 783	3 061
Capital Contribution	0	1 261	1 261	**2 060**	2 159	1 910	2 101
Leave Provision	0	549	549	**549**	604	664	731
TOTAL EXPENDITURE	**324 947**	**307 085**	**312 752**	**355 542**	**411 390**	**453 727**	**495 296**
SURPLUS / (DEFICIT)	**-16 887**	**0**	**362**	**-16 221**	**0**	**0**	**0**

Statement of Financial Position

	Actual 2007/08 R,000	Original Budget 2008/09 R,000	Amended Budget 2008/09 R,000	Full Year 2008/09 R,000	Budget 2009/10 R,000	Projected Budget 2010/11 R,000	Projected Budget 2011/12 R,000
Community Equity & Liabilities							
Community Wealth							
Housing Development Fund	-	-	-	-		-	-
Reserves	4 794	523 656	523 656	559 222	-	-	-
Unappropriated Surplus/(Deficit)	408 200	-	-	-	737 721	715 713	734 956
Total Community Wealth	**412 994**	**523 656**	**523 656**	**559 222**	**737 721**	**715 713**	**734 956**
Non-Current Liabilities							
Trust Fund	-	-	-	-		-	-
Long-Term Liabilities	10 192	125 000	125 000	125 000	56 000	50 000	45 000
Total Non-Current Liabilities	**10 192**	**125 000**	**125 000**	**125 000**	**56 000**	**50 000**	**45 000**
Current Liabilities							
Bank Overdraft	-	- 2 664	- 2 664	-		-	-
Consumer Deposits	286	140	140	140	140	140	140
Provisions	13 535	17 678	17 678	17 678	17 678	57 621	57 621
Creditors	81 751	62 080	62 080	62 080	56 426	22 000	22 000
Conditional Grants and Receipts	52 256	15 000	15 000	15 000	15 000	12 000	12 000
Current-Term Liabilities	126 658	-	-	-	-	-	-
Total Current Liabilities	**274 486**	**92 234**	**92 234**	**94 898**	**89 244**	**91 761**	**91 761**
Total	**697 672**	**740 890**	**740 890**	**779 120**	**882 965**	**857 474**	**871 717**
Assets							
Non-Current Assets					-	-	-
Property Plant and Equipment	424 349	499 514	499 514	527 989	691 380	705 623	719 866
Non-Current Investments	253	13 855	13 855	13 855	12 855	16 451	16 451
Non-Current Receivables	-	330	330	330	330	200	200
Total Non-Current Assets	**424 602**	**513 699**	**513 699**	**542 174**	**704 565**	**722 274**	**736 517**
Current Assets							
Current Investments	-	-	-	-		-	-
Inventory	1 646	2 491	2 491	2 491	2 000	2 200	2 200
Consumer Debtors	176 223	213 000	213 000	213 000	163 300	116 000	116 000
Other Debtors	8 987	6 500	6 500	6 500	5 500	4 000	4 000
Non-current Assets held for sale	-	-	-	-	-	-	-
VAT	1 492	5 200	5 200	5 200	5 000	5 000	5 000
Cash in Bank	84 722	-	-	9 755	2 600	8 000	8 000
Total Current Assets	**273 070**	**227 191**	**227 191**	**236 946**	**178 400**	**135 200**	**135 200**
Total	**697 672**	**740 890**	**740 890**	**779 120**	**882 965**	**857 474**	**871 717**

Statement of Cash Flows

	Prior Year	Current Year			Meduim Term		
	Actual	**Budget**	**Amended Budget**	**Full Year**	**Budget**	**Budget**	**Budget**
	2007/08	**2008/09**	**2008/09**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
	R,000	**R,000**	**R,000**	**R,000**	**R,000**	**R,000**	**R,000**
Cash flows from Operating Activities							
Receipts							
Cash receipts from Ratepayers & Govt	313 200	331 306	312 306	313 764	374 371	384 371	410 032
Cash paid to Suppliers & Employees	296 140	323 208	304 208	302 566	364 491	395 297	435 336
Cash Utilised/Generated in Operations	**17 060**	**8 098**	**8 098**	**11 198**	**9 880**	**-10 926**	**-25 305**
Interest Paid	2 000	4 562	4 562	962	8 063	8 063	8 063
Interest Received	400	310	310	810	295	290	290
Net Cash From Operating Activities	**1 600**	**4 252**	**4 252**	**152**	**7 768**	**7 773**	**7 773**
Cash flows from Investing Activities							
Purchase of Property, Plant & Equip	-154 000	-240 997	-240 997	-269 472	-189 391	-40 200	-40 200
Increase/Decrease - Non Current Assets	-10 200	32 045	32 045	32 045	-2 753	6 000	-6 000
Increase/Decrease - Non Current Liabilities	19 000	-15 000	-15 000	-15 000	-1 000	-2 000	-2 000
Net Cash from Investment Activities	**-145 200**	**-223 952**	**-223 952**	**-252 427**	**-193 144**	**-36 200**	**-48 200**
Cash flow from Financing Activities							
Increase/Decrease - Funds and Reserves	4 000	10 435	10 435	10 435	22 373	26 903	26 903
Increase/Decrease - Current Liabilities	-12 685	-4 322	-4 322	-4 322	-5 654	-6 598	-8 598
Increase/Decrease - Current Assets	-13 460	-16 608	-16 608	-16 608	-13 946	-23 720	-13 720
Capital Grant Funding	165 149	230 650	230 650	259 125	187 666	40 243	40 243
Net Cash from Financing Activities	**143 004**	**220 155**	**220 155**	**248 630**	**190 439**	**36 828**	**44 828**
Net Increase (Decrease) in cash	**-596**	**455**	**455**	**-3 645**	**5 063**	**-628**	**3 372**
Cash at Beginning of Financial Year	13 996	13 400	13 400	13 400	9 755	14 818	14 190
Cash at End of Financial Year	13 400	13 855	13 855	9 755	14 818	14 190	17 562
Net Cash Movement	**(596)**	**455**	**455**	**(3 645)**	**5 063**	**(628)**	**3 372**

5.16 Municipal Manager's quality certification

I _____, municipal manager of King Sabata Dalindyebo Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

_____
MMP Tom
Municipal Manager
King Sabata Dalindyebo Municipality (EC157)

Date

_____